DOCUMENT RESUME

ED 289 801 SO 018 725

TITLE	The Big Jump: A Classroom Guide for Teaching Insurance to Teenagers and Young Adults through Creative Activities.
INSTITUTION	Credit Union National Association, Inc., Madison, Wis.
PUB DATE	86
NOTE	64p.
AVAILABLE FROM	National Credit Union Youth Program, 5910 Mineral Point Road, P.O. Box 391, Madison, WI 53701.
PUB TYPE	Guides - Classroom Use - Materials (For Learner) (051) -- Guides - Classroom Use - Guides (For Teachers) (052)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	Adult Programs; *Consumer Education; *Economics Education; *Health Insurance; Instructional Materials; *Insurance; Learning Activities; Objectives; Ownership; Postsecondary Education; Secondary Education; *Social Studies; Young Adults
IDENTIFIERS	*Automobile Insurance; *Life Insurance

ABSTRACT

This kit contains a teaching guide with objectives, answers, and instructions for each activity and spirit masters color coded to correspond with the appropriate chapter in the teaching guide. Five program segments are presented: (1) introduction to insurance; (2) homeowners/renters insurance; (3) automobile and motorcycle insurance; (4) health insurance; and (5) life insurance. With these activity-oriented materials, young adults can begin to understand insurance concepts and needs. Each unit is accompanied by numerous discussion and activity suggestions useful in teaching basic insurance concepts. Activities are designed to help students understand: (1) risk as an integral part of life; (2) basic principles of insurance; (3) responsibilities associated with ownership; (4) basic types of homeowners and renter insurance policies; (5) responsibilities and costs associated with ownership and use of a motor vehicle; (6) basic types of health insurance; and (7) basic types of life insurance. (SM)

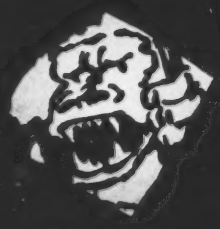
****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

A CLASSROOM GUIDE FOR TEACHING INSURANCE TO TEENAGERS AND YOUNG ADULTS THROUGH CREATIVE ACTIVITIES

ED289801

THE BIG JUMP

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
Barbara Main
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."



SO018725

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☒ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

The National Credit Union Youth Program began nearly twenty years ago to assist credit unions in their youth marketing efforts. A voiced need for educational materials targeted specifically to young financial consumers prompted the production of money management materials for credit unions to educate their young members. A natural extension was to produce educational materials for teachers to teach practical consumer financial information to students. The overwhelming response by the nation's teachers and continuous requests for additional educational materials prompts the development of this resource. Contact the Youth Program directly for information about other available educational materials.

The National Credit Union Youth Program is jointly sponsored by CUNA Mutual Insurance Group and Credit Union National Association, Inc.

The CUNA Mutual Insurance Group is comprised of nine companies that provide insurance coverages to credit unions and their members throughout the world. In fifty years, the company has grown to more than sixty billion dollars of insurance in force and currently insures more credit unions and members than any insurer in the world.

The Credit Union National Association (CUNA), Inc. is the trade association for more than 18,000 U.S. credit unions. CUNA provides educational, public relations and legislative support as well as financial product development for the national credit union movement.

Credit unions are unique financial institutions that, through the pooling of member resources, serve the financial needs of their members. Not-for-profit cooperatives, credit unions are democratically owned and controlled by their members. The members of a credit union share a common bond — they may work at the same place, attend the same church, belong to the same professional group or live in the same community.

While the first credit unions were organized in the United States in the early part of this century, over 50 million Americans today belong to a credit union.

The reason is service. Many credit unions today provide their members with modern financial services, at a price they can afford . . . high interest savings, low cost loans, IRA's, share draft (checking) accounts, ATM's, credit/debit card services, insurance coverages, payroll deduction, direct deposit, money orders, traveler's checks, etc. All the financial services possible with the safety of insured deposits up to $100,000, backed by agencies of a state or the federal government.

National Credit Union Youth Program
5910 Mineral Point Road, P.O. Box 391
Madison, Wisconsin 53701
Phone: 608/231-7241

© 1986 CUNA Mutual Insurance Group & Credit Union National Association, Inc.
169YP-99

TEACHING OBJECTIVES

The Big Jump . . . it's scary, yet exciting.

It's the feeling all teenagers have when they tackle the adult world for the first time. To make it a pleasant rather than painful experience, young adults must understand and apply a variety of basic living skills. One of the most important skills is a working knowledge of insurance. With **The Big Jump,** teachers can help students understand the subject in a practical, yet fun way.

Covered in this guide are five program segments:

- **Introduction to insurance**
- **Homeowners/renters insurance**
- **Automobile and motorcycle insurance**
- **Health insurance**
- **Life insurance**

Many students, of course, still are covered by their parents' insurance policies. As a result, they probably haven't thought about coverage for themselves. Yet soon they must.

With these activity-oriented materials, young adults can begin to understand insurance concepts and needs. Whether in junior or senior high school or in college, today's youth must know the risks they inherit as adults and the protection offered by insurance. This teaching guide addresses those issues.

The guide, however, is not a promotional piece for insurance. Instead, it's designed to help students make informed, intelligent insurance decisions. Is life insurance necessary? For whom, and under what circumstances? How can car insurance costs be cut? What types of health insurance are available, who should be covered, and why? What possessions are worth protecting?

This is a sampling of the many questions you and your students will discuss. In the process, the often dry subject of insurance will "come alive" for students as well as for you. Throughout the guide, you'll be given interesting exercises for students to complete. All imaginatively address the very practical questions and concepts of insurance.

Use the materials by themselves or as a supplement to other classroom curriculum on money management and insurance.

With your help, **The Big Jump** can be a big success.

HOW TO USE THE BIG JUMP

Included in the guide are numerous discussion and activity suggestions. To successfully teach basic insurance concepts, we strongly recommend that activities accompany your lectures. As a result, we have incorporated numerous learn-by-doing exercises. After using **Key Concepts** as background material for students, concentrate on the activities portion of this guide. The objectives, answers, and instructions for each activity are presented within the teacher's guide. The student activity sheets, or spirit masters are color coded to correspond with the appropriate chapter in the teaching guide.

The guide is designed for modular teaching. You can use the introduction chapter only, selected chapters, or the entire guide. With younger students, for example, you may want to teach automobile and renters insurance. For high school seniors, college students, and adults you may want to give high priority to all forms of insurance.

We suggest using the **"limerisk"** on the cover of each chapter as a humorous and engaging look at insurance. Write it on the chalkboard to increase student interest and attention on the various forms of insurance. Each chapter also contains "boxed" insurance facts and information that may be shared with students to increase their understanding.

Although written specifically for teenagers and young adults, the guide can be used for older adults, too. Teachers of vocational and adult education students should review the guide and adapt it to their own needs. With this in mind, we suggest credit union sponsors of the guide encourage teachers at all levels to use the materials.

For ease of teaching, a **Content Summary** of chapter objectives and activities is listed on the inside back cover.

Use the guide to your advantage. Through your efforts, students will gain a big advantage when they take **THE BIG JUMP.**

This guide is intended for educational purposes only. It is not meant to describe, interpret, or recommend a particular policy or action.

INTRODUCTION TO INSURANCE

Feeding Time At The Zoo

"There was a young man at the zoo
who fell over the lace in his shoe.
His head cracked a cage.
The gorilla
got a rage
and bit off his ears,
one, two."
Will the insurance be paid by the zoo,
or just whom does the bill go to?

CHAPTER OBJECTIVES:

1. **Helps students understand risk as an integral part of life, whether it's injury to others or self, loss of life or possessions.**
2. **Explains that insurance helps cover these risks.**
3. **Presents basic principles of insurance, including the sharing of financial risk, pooling of resources, and protecting yourself and others.**
4. **Identifies what types of insurance protect which risks.**
5. **Defines key insurance words and phrases.**
6. **Relates insurance to student spending habits and possessions.**

KEY CONCEPTS

Even a turtle, in order to make progress, must stick its neck out! In other words, nothing is gained without risk. Because of this, few Americans can afford the luxury of no insurance.

Insurance companies help us take risk. You might call them professional risk-takers. By spreading risk — defined as the possibility of loss or injury — among a large number of people, insurance companies help individuals cost-effectively share risk. Through insurance companies policyholders pool premiums to form a reserve so those who suffer losses can be compensated.

Not everyone suffers losses at the same time. The statistical probability of loss is an important principle of insurance. It is defined as the mathematics of chance. When thinking about insurance, students should understand the likelihood of personal or economic loss. It's obvious, for example, that a locked bicycle is less likely to be stolen than one that's unlocked. A parachutist is more likely to suffer personal injury than a ping-pong player.

People become policyholders and purchase insurance because they're apt to suffer some type of economic or personal loss. Homeowners suffer a loss if their house burns down. If a wage earner dies in the fire, the family suffers a personal loss as well as loss of income.

Although there are more types of insurance policies than Disney has Dalmations, there are two general categories most insurances are classified into:

1) property and casualty, which includes motor vehicle, and homeowners/renters, and
2) life and health insurance.

Each is covered within this guide. As you progress through the guide, use the "What's What" chart on page 12 to help you explain the various types of insurance to students.

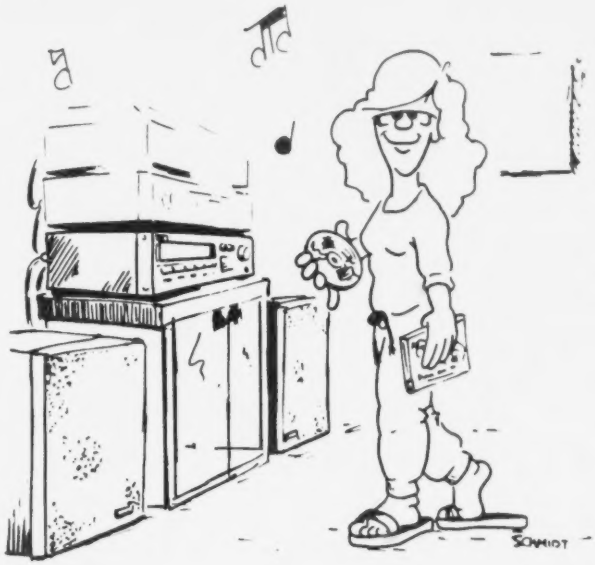
SUGGESTED TEACHING ACTIVITIES

ACTIVITY SHEET:
Opinion Please
OBJECTIVE: To measure how students change their perceptions of insurance as a result of this coursework.

DIRECTIONS:
Ask students to complete this brief exercise. Do not grade at this time. At the end of the classwork on insurance, have students again take the test. Then return the original tests to students so they can compare responses. Chart the totals on the chalkboard. Find out how many students changed their responses from incorrect to correct answers. A positive change indicates students have developed a better understanding of how insurance protects against risk.

ANSWERS: 1 through 6, agree
7 through 12, disagree

ACTIVITY SHEET: Sharing the Risk



OBJECTIVE:
To help students understand the concept of pooling resources to protect themselves and others.

DIRECTIONS:
Use discussion to point out the advantages and disadvantages of each option and the practicality of sharing risk. With insurance, a pool of money remains available because not everyone suffers loss at the same time.

ANSWERS:
All reasonable options are legitimate.

ACTIVITY SHEET: Insuring Against Disappointment - Part I

OBJECTIVE:

To teach students how to choose insurance coverage to fit their needs.

ANSWERS:

Scenario A

1: Renters insurance or homeowners insurance are both acceptable answers. If Jeff is self-supporting, he should carry renters insurance. If Jeff is not emancipated (still supported by his parents) and his parents have a homeowners policy, it will usually extend coverage to Jeff at school.

2: Make an itemized list of all possessions. Install additional locks and security devices. Organize a watch program with dorm occupants. Mark personal items with serial numbers; police often provide special pens for this purpose.

Scenario B

1: Homeowners and/or automobile insurance. To insure ATVs, you generally need a special addition to your car insurance. ATV's also may be covered by a homeowners policy if the ATV isn't used on the street. The homeowners policy will cover Jessie's injury because the accident occurred on the property of Jerry's parents.

Scenario C

1: Diane's automobile insurance. There is no state-sponsored uninsured motorist insurance.

2: The deductible is Diane's responsibility; however, she might ask David to pay it.

3: Relative to liability for the stop light, Diane's insurance pays. Diane gave David permission to drive her car and is therefore responsible for the deductible. However, if the accident was David's fault, Diane could sue David in Small Claims Court.

POSSIBLE CONSEQUENCES OF INADEQUATE INSURANCE

Loss of money.

Loss of possessions that may or may not be replaceable.

Negative effects on credit.

Possible personal bankruptcy.

Liens can be placed against future earnings and/or property.

Liens could suggest poor financial management to prospective employers.

Inability to pay for necessary medical care.

ACTIVITY SHEET: Insuring Against Disappointment - Part II

Scenario D

1: Homeowners/renters insurance, automobile insurance, and special coverage for computer and jewelry.

2: Some insurers may require a certified appraisal of antiques (and other valuables) to establish fair market value. Without this documentation, it would be difficult to establish the antiques' value.

3: A personal inventory should have been compiled and then kept in a fire- and theft-proof place outside the house.

Scenario E

1: The family health insurance. Unless Alicia or her parents had special coverage for property damage or injury while performing a part-time job, Alicia would not be insured. Employers typically do not provide insurance for part-time employees. Neither does worker's compensation apply to part-time employees. Although many think homeowners insurance would cover this injury, it probably wouldn't since Alicia was "on the job" when the accident occurred and medical payments for the resident family members are never covered under their homeowners. And, in this case, paperboys/girls are not employees but independent contractors.

ACTIVITY SHEET: Finish the Sentence

OBJECTIVE:

To assess students' perceptions and stimulate creative discussion.

ANSWERS:

All reasonable ones are acceptable.

ACTIVITY SHEET: What Does it Mean?

OBJECTIVE:

To familarize students with key insurance words and phrases.

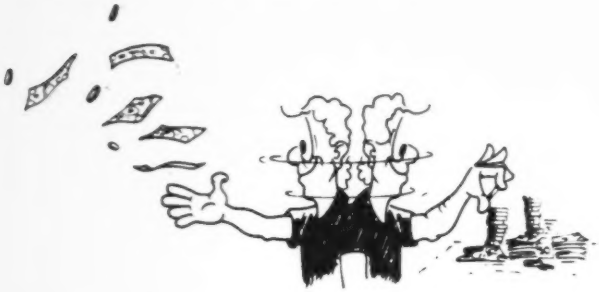
DIRECTIONS:

Ask students to match the terms with the definitions provided, telling them there are two extra words (**amendment** and **subrogation**). The boldface phrase refers to the insurance industry definition. The other is common language usage.

ANSWERS:

Agent
Cancellation
Claim
Deductible
Exclusions
Group insurance
Insured
Insurer
Liability
Policy
Premium
Risk
Shared risk

ACTIVITY SHEET: Money Matters



OBJECTIVE:
To increase student awareness of spending habits. Also can be used to point out that insurance, along with other expenditures, should be a budgeted item.

DIRECTIONS:
Divide the class into small groups of six to eight; boys and girls should be grouped separately. Discuss the average weekly sum of money available to today's teens. Then ask each group to specify how much they think is spent on the various items. Compare the answers to the national averages.

ANSWERS:
FOR BOYS

Expenditures:

Gas and Auto	$8.50
Clothing	$8.15
Hobbies	$2.00
Food, snacks, cigarettes	$6.80
Personal grooming, cosmetics, fragrances, hair care	$3.45
Movies and entertainment	$8.90
Jewelry	$0.00
Records, books, paperbacks, magazines	$2.80
School supplies	$ .80
Coin-operated games	$1.90
	$43.30

Savings:

$10.15 a week for education, cars, TVs, computers, radios, video games, stereos, cameras, etc.	$10.15

Total *(expenditures and savings):* $53.45

FOR GIRLS

Expenditures:

Gas and Auto	$ 4.40
Clothing	$13.30
Hobbies	$ 0.00
Food, snacks, cigarettes	$ 4.15
Personal grooming, cosmetics, fragrances, hair care	$12.65
Movies and entertainment	$ 4.30
Jewelry	$ 2.10
Records, books, paperbacks, magazines	$ 3.25
School supplies	$ .85
Coin-operated games	$ .30
	$45.30

Savings:

$9.30 per week for education, travel, calculators, cameras, radios, TVs, etc.	$ 9.30

Total *(savings and expenditures):* $54.60

A LOOK BACK

The earliest use of insurance appears to be for protection and coverage of ships and cargoes at sea. The Chinese apparently were the first people to consider and provide for the perils of shipping. The Phoenicians, though, are credited with bringing the idea of insurance to the Western World.

A shipowner would negotiate a loan with which to finance his voyage and cargo. If the ship completed the trip successfully, the shipowner repaid the loan plus interest. If the ship and cargo were lost, the loan was written off.

This practice led to pooling. If a captain felt his ship was threatened by stormy seas, he would throw overboard whatever cargo he chose. Initially, the owners of the overthrown cargo suffered the loss. Later, the financial loss was shared by all cargo owners represented on the ship.

Life insurance became firmly established for the first time in England in 1536. Yet, early life insurance companies failed since there was no adequate way to determine mortality patterns. Not until the eighteenth century did people figure out how to set up a successful company. Some of those early companies still operate today.

ACTIVITY SHEET: Who Owns What?

OBJECTIVE:
To find out how your class compares to the average teenager (as defined by the Rand Youth Poll) and to determine what items should be covered by insurance.

DIRECTIONS:
Using the activity sheet, ask each student to indicate his or her gender and whether they own any of the items listed. Appoint or ask for volunteers to tally the results, indicating ownership among each gender and then among both. Next have students calculate average number of class members that own each item (girls, boys and combined). Compare these results to the national averages.

ANSWERS:

	girls	boys	all
Bicycle	77%	83%	80%
Calculator	29%	41%	35%
Camera	90%	82%	86%
Car	9%	23%	16%
Computer	10%	14%	12%
Electric Shaver	33%	45%	39%
Portable Hair Dryer	37%	23%	30%
Radio	91%	87%	89%
Stereo	69%	63%	66%
Television	32%	36%	34%
Video Games	36%	62%	49%

FIRE FACT
A fire breaks out in the U.S. every 45 seconds, claiming 7,500 lives and causing billions of dollars in property damage every year.

CLASS DISCUSSION QUESTIONS:

What is the average value of the belongings that teens in your class choose to purchase?

Which of these items could be protected by insurance? Compare the cost of insurance to the cost of replacement.

What would students do if they experienced a major loss, such as the death of a parent or fire damage to their house and possessions?

Teens around the country say they influence family purchases, such as appliances, cars, video tape recorders, stereos, and video games. Find out what kind of influence your students have on family purchases. How does it alter their parents' decisions?

Why do students think insurance companies were started?

ALTERNATIVE WAYS OF OBTAINING INSURANCE

There are a variety of ways to obtain insurance. Whether life, health, property, or auto, several credible companies offer insurance through alternative means such as over the telephone, through the mail, or perhaps even on television. New distribution methods may even allow the purchase of insurance coverage via their home microcomputer or through an information videotex service.

What remains most important is the policy itself: the coverage, the rates, the service, and how the policy best suits individual needs. Of course, dealing with a reputable company is always a plus. Checking with the State Insurance Commissioner's Office will reveal any complaints against an insurance company.

Shopping for insurance and checking into alternative providers can save many dollars in premiums while still providing adequate coverage for individuals and their belongings.

GLOSSARY OF INSURANCE TERMS & PHRASES

(additional terms are included in other chapters)

Agent: A person, usually licensed, who solicits and sells policies for an insurance company.

Automobile Insurance Plan: A plan for those unable to voluntarily purchase automobile insurance. If eligible, drivers are assigned to a licensed company in their state. (Formerly known as the assigned risk plan.)

Beneficiary: The person who receives the face value of the life insurance policy at death of the insured.

Cancellation: Termination of an insurance policy before its normal expiration date either by the policyholder or the company.

Claim: Demand made against a company for payment of a loss.

Coinsurance: The portion of the bill that you share with the insurance company.

Death Benefit: The amount of money paid the beneficiary when the insured dies.

Deductible: The portion of a loss paid by policyholder, with the insurance company paying the remainder up to the limits specified in the policy. For example, on a $500 loss, the policyholder might pay the first $100, the company, $400.

Endorsement: A change made to an existing policy.

Exclusions: Limitations or restrictions put on a policy's coverage.

Financial Responsibility Law: State statutes requiring motorists to furnish evidence of their ability to pay for damages caused by an auto accident.

Group Insurance: A way of insuring, with a single policy, a group of people having a common bond, such as the same employer.

Indemnity: The reimbursement of a loss. Indemnification is distinguished from speculation or gambling, since insurance does not provide opportunity for gain, but restores the insured as closely as possible to a pre-loss state according to the benefits of the policy.

Insured: A person covered by an insurance policy.

Liability: Legal responsibility to others (usually financial) to pay for bodily injury or property damage caused by another. For example, if you are responsible for injuring someone while driving, you would be required to pay their medical expense as well as other expenses they incur due to the injury.

Lien: A claim against property to satisfy a debt. For example, you demand payment of $1,000 owed you by a neighbor, money that will be taken from sale of property when it's sold. Liens usually arise either from statute or judgments.

Medical Expense: The cost of medical care resulting from an accident or illness. Policies have different coverages and dollar limits.

Policy: The written contract of insurance.

Policyholder: The person to whom the insurance policy is issued.

Premium: The amount of money paid to the insurance company in return for protection.

Rating Territory: A geographic area where there is a similar degree of risk to loss.

Recreational Vehicles: Motorized vehicles, such as a motor home, boat, snowmobile, dune buggy, ATV (all terrain vehicle), or minibike. For protection, special coverage is usually required.

Replacement Cost: The amount necessary to replace property.

Subrogation: After a claim is paid, the insurer can initiate action to recover costs from a responsible third party(s).

OPINION PLEASE

1. Risk is a part of everyone's life.

   Agree Uncertain Disagree

2. Insurance is needed by everyone.

   Agree Uncertain Disagree

3. Statistics and insurance are closely related.

   Agree Uncertain Disagree

4. Knowledge about insurance is important to successful living.

   Agree Uncertain Disagree

5. Insurance increases personal security.

   Agree Uncertain Disagree

6. Insurance deals with actual life experiences.

   Agree Uncertain Disagree

7. Once insured, people can take whatever risks they choose because in case of loss, they wouldn't have to pay.

   Agree Uncertain Disagree

8. Insurance isn't really important.

   Agree Uncertain Disagree

9. Insurance is only for families.

   Agree Uncertain Disagree

10. Insurance is primarily for the wealthy.

    Agree Uncertain Disagree

11. A person may insure any individual's life, regardless of relationship.

    Agree Uncertain Disagree

12. All insurance costs about the same; it's not worth comparing prices.

    Agree Uncertain Disagree

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

SHARING THE RISK

Stephanie, like most teenagers today, spends a lot of time listening to music. When she moved into her first apartment, her parents gave Stephanie a new compact disk player. They then explained she should insure the equipment against damage and theft. Suppose someone stole the equipment, they asked. Since it's valued at $350, Stephanie would need that much money to replace the disk player. How can she protect herself against the loss?

Give advantages and disadvantages for each of the following options, listing as many as you can.

1. Save $350 so she can buy another disk player if necessary.

   Advantages

   _____

   _____

   _____

   Disadvantages

   _____

   _____

   _____

2. Create a fund together with others, all of whom contribute small amounts to protect their own possessions.

   Advantages

   _____

   _____

   _____

   Disadvantages

   _____

   _____

   _____

3. Refuse to worry about something that might not happen.

   Advantages

   _____

   _____

   _____

   Disadvantages

   _____

   _____

   _____

Which option is your choice? _____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

INSURING AGAINST DISAPPOINTMENT PART I

Scenario A:
When Jeff returned to his dorm room after class, he could hardly believe his eyes. His dresser had been emptied, his desk swept clean, his stereo gone. The old clunky stereo speakers were still there, but the wires had been torn out. His spare backpack was missing, too. Who would want an old backpack? Then he noticed the empty place on the shelf where he had displayed his valuable collection of art books. He searched through the mess hoping to find the watch he had received for graduation. He'd been afraid to wear it because it seemed too valuable to risk losing. The sinking feeling was stronger now. He knew it was gone, and so was the crisp $100 dollar bill he had tucked inside the corner of his top dresser drawer. What else was missing? It was hard to remember what had been there before. If only Jeff had bought some insurance.

1. What is the appropriate insurance for this incident?

   - ☐ **Renters insurance**
   - ☐ **Health insurance**
   - ☐ **Life insurance**
   - ☐ **Homeowners with special provisions for personal property**

2. What else could Jeff had done to prepare for this mishap?

   _____

   _____

   _____

Scenario B:
Sixteen-year-old Jerry always had been a mechanic. Now he'd built a masterpiece: A three-wheel ATV with a plastic windshield, leather rumble seat, two-cylinder engine and cassette deck. He had a valid driver's license, and only drove the ATV during summer. One day while giving his friend Jessie a ride on his parent's property, Jerry lost control of the vehicle and ran into a parked car. Jessie suffered a broken arm, and the parked car received a $300 dent.

1. What is the appropriate insurance(s) for this accident?

   - ☐ **Homeowners insurance**
   - ☐ **Medical insurance**
   - ☐ **Automobile insurance**

Scenario C:
David offered to take Diane's Trans Am to the car wash. In only three minutes, and within 10 blocks, David smashed into a traffic light. Although properly licensed, he had no auto insurance. Diane did, with a $250 deductible.

1. What is the appropriate insurance to pay for damages?

   - ☐ **State-sponsored uninsured motorist insurance**
   - ☐ **David's homeowners insurance**
   - ☐ **Public utility property insurance**
   - ☐ **Diane's auto insurance**

2. Who pays the $250 deductible?

   _____

3. What recourse does Diane have if David refused to help pay for damages?

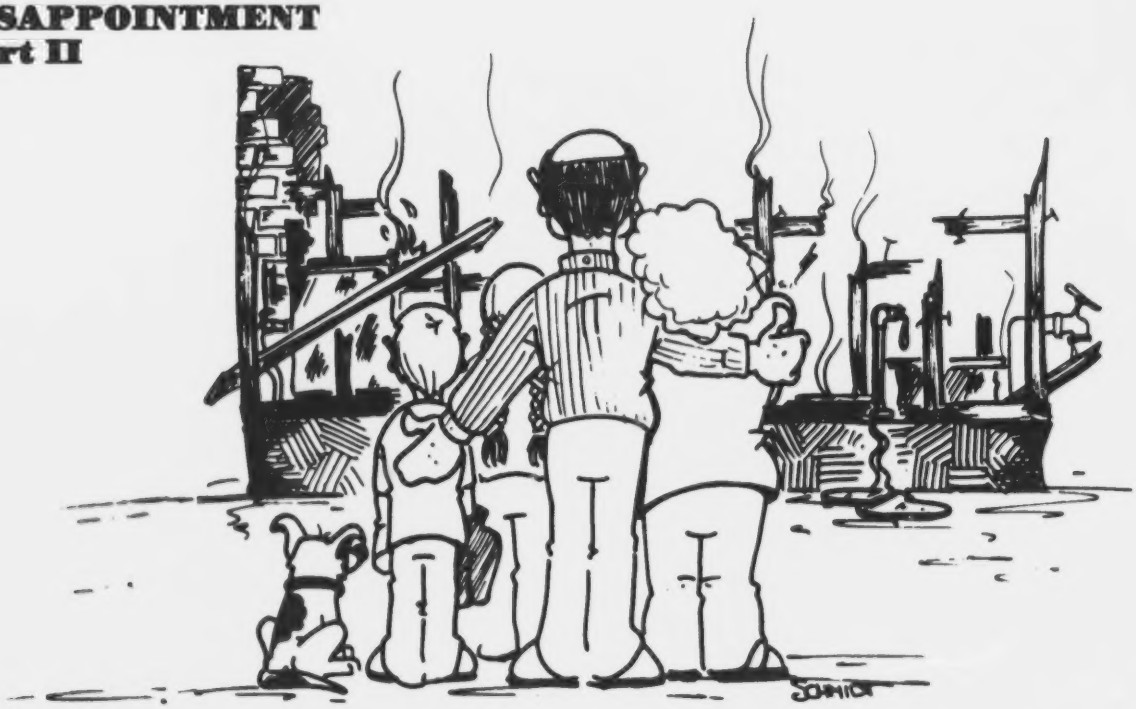
   _____

   _____

   _____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

INSURING AGAINST DISAPPOINTMENT Part II



Scenario D:
The Wilson family moved into an old house in an established part of town. Faulty electrical wiring started a blaze that burned the home to its foundation. Although family members escaped injury, it was a real tragedy. All the family's antiques were destroyed. Bryan's computer was gone, and so was Mrs. Wilson's valuable jewelry. Mr. Wilson had his car parked in the garage, and now it was inoperable.

1. What insurance(s) covers losses from the fire?

   - ☐ **Homeowners/renters insurance**
   - ☐ **Automobile insurance**
   - ☐ **Special coverage for losses due to electrical fires**
   - ☐ **Special coverage for computer and jewelry.**

2. How can the Wilson family determine the value of the antiques?

   _____

   _____

   _____

3. How can the Wilson family determine what items were lost in the fire?

   _____

   _____

   _____

Scenario E:
Alicia had a part-time job delivering weekly newspapers after school. She normally rode her bike around the neighborhood to help speed delivery. One evening, she lost her balance and ran into a fence. She did not appear hurt at the time. Three days later, however, Alicia's back started to bother her. She knew it was caused by the accident.

1. What insurance covers medical costs associated with the injury?

   - ☐ **The family health insurance**
   - ☐ **Employer's insurance**
   - ☐ **Homeowners/renters insurance**
   - ☐ **Whole life insurance**
   - ☐ **Parent's automobile insurance**

6 15

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

FINISH THE SENTENCE

Everyone has different ideas about themselves and their needs. What are your opinions? Complete these sentences with your own ideas about insurance and life.

1. Spending money on insurance is like

_____

_____

2. An "adequately insured" person is one who

_____

_____

3. When I need financial help, I can usually turn to

_____

4. The person who really pays for an accident is

_____

5. When I think what the future is like

_____

_____

_____

6. Students need insurance because

_____

_____

_____

7. Adults need insurance because

_____

_____

_____

8. In case of an accident, I'm considered an adult if

_____

_____

_____

9. It's no use to insure against

_____

_____

_____

10. Nobody but a fool would

_____

_____

_____

11. The worst thing that could happen to me is

_____

_____

_____

12. In selecting insurance, the most important thing to consider is

_____

_____

_____

13. If I can't afford insurance, then

_____

_____

_____

14. What seems really unfair to me is

_____

_____

_____

15. If you get into trouble with an auto accident, the real decisions are made by

_____

_____

© CUNA Mutual Insurance Group & Credit Union National Association Inc.

WHAT DOES IT MEAN?

Noah Webster and the insurance industry have their differences. This exercise has a list of insurance terms that often mean something else in common usage. The first definition, shown in boldface, applies to insurance; the second to everyday language. Read both definitions. Then match the list of terms with the definitions. Two of the words aren't defined. As you're doing the exercise, ask yourself if one definition helps identify the other.

Liability	Insurer
Policy	Cancellation
Amendment	Deductible
Claim	Exclusions
Subrogation	Premium
Agent	Risk
Shared risk	Insured
Group insurance	

An individual who solicits and sells insurance on the behalf of an insurance company. A substance that produces a reaction.

_____

Termination of an insurance policy by the customer or the company before its normal expiration date. To draw lines across; as to deface.

_____

Demand made against a company for payment of a loss. Assert as fact; contend.

_____

A portion of any loss that the policyholder agrees to pay, with the insurance company paying the rest, up to the limits of the policy. Capable of being subtracted.

_____

What specifically is not covered in a policy. Act of excluding; state of being excluded.

_____

A way to insure people with common interest under one master policy. A number of things classified together; the business of insuring or underwriting.

_____

A person covered by an insurance policy. Assure.

_____

The insurance carrier; the insurance company or other organization that assumes the risk. Person(s) who assure.

_____

Legal responsibility, usually financial, to pay damages to others for bodily injury or property damage. The state of being liable.

_____

A written contract of insurance. A course of conduct based on principle or advisibility.

_____

The amount paid for an insurance policy. A prize, reward, or anything given as an inducement.

_____

Uncertainty about loss. Exposure to loss or harm; danger; peril.

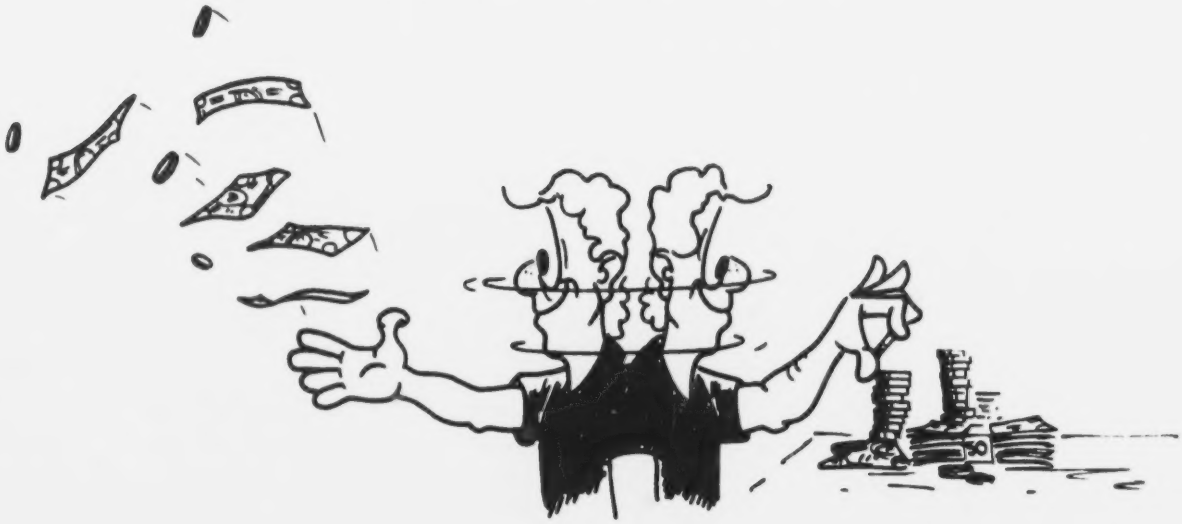
_____

The central idea of insurance; a fund, created by pooling premiums, used to reimburse insured people who suffer a loss covered by the policy. An allotted portion exposed to loss or harm.

_____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

MONEY MATTERS



According to *Co-ed Magazine*, teenagers spend $45 billion a year. The magazine says that because teenagers generally don't pay for rent or food, the money they earn or receive as allowances is spent on whatever they choose.

Today about 26 million Americans are teenagers. Although the number of teens is declining, market research indicates that teen expenditures will continue to increase.

WEEKLY INCOME AND SPENDING EXERCISE

See if you can determine how the average teen spends his or her money. Divide the total national weekly income figures shown here for teens aged 16-19 into the expenditures. For example, do you think you and other teenagers spend $4.20 a week on movies? Do you spend more or less? You decide.

Income:	Boys	Girls
Allowance	$21.80	$22.05
Earnings	$31.65	$32.55
Total	$53.45	$54.60

Expenditures

Gas and Auto.....$_____

Clothing.....$_____

Hobbies.....$_____

Food, snacks, cigarettes.....$_____

Personal grooming, cosmetics, fragrances, hair care.....$_____

Movies and entertainment.....$_____

Jewelry.....$_____

Records, books, paperbacks, magazines.....$_____

School supplies.....$_____

Coin-operated games.....$_____

Subtotal $_____

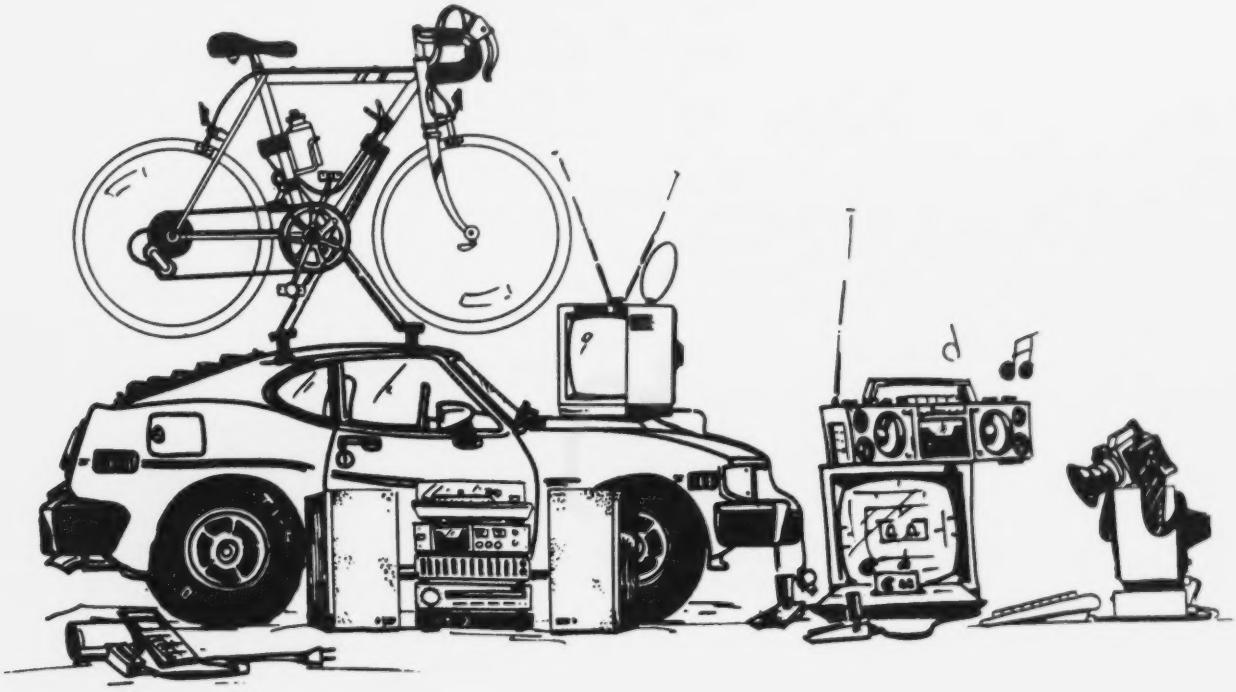
Savings

Savings per week towards education, travel, cars, TVs, computers, radios, stereos, cameras, etc.....$_____

Total $_____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

WHO OWNS WHAT?



These items are commonly owned by teenagers, as reported by a Rand Youth Poll. Check the items on the list below that you own. A tally will show how your class compares with the national averages.

Gender (circle one): Male Female

- ☐ Bicycle
- ☐ Calculator
- ☐ Camera
- ☐ Car
- ☐ Computer
- ☐ Electric shaver
- ☐ Portable hair dryer
- ☐ Radio
- ☐ Stereo
- ☐ Television
- ☐ Video games

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

HOMEOWNERS & RENTERS INSURANCE

Home Sweet Home

"An apartment was what they called home.
In it was all that they owned.
'Til one day a lad
came and stole all they had.
Nice guy! He left only the phone."

CHAPTER OBJECTIVES

1. **Highlights responsibilities associated with ownership of personal possessions.**
2. **Identifies basic types of homeowners and renter insurance policies and helps match them to people's needs.**
3. **Introduces the concepts of casualty and liability.**
4. **Helps students realize the importance of personal inventories of possessions.**
5. **Defines key terms associated with homeowners and renters insurance.**

KEY CONCEPTS

Teens spend $45 billion a year. They have more personal possessions (bikes, stereos, jewelry) than teens have ever had before.

For this reason, students should understand the responsibilities of ownership. Included in this concept is protecting belongings in case of loss, damage, theft, and liability.

Students should ask themselves how they would replace their belongings if they were lost, damaged or stolen. They also should consider the possibility of someone being injured on their property or bitten by their dog. Who would be liable for medical bills?

Of course, one can't cover all losses, but it is wise to make responsible decisions on which items and situations warrant protection.

It is most common to protect against a wide variety of losses through homeowners and renters insurance. There are three types of homeowners policies: Basic form, broad form, or comprehensive. Each is tailored to the different needs and lifestyles of policyholders.

A **basic policy** usually protects against personal liability and property destroyed by:

- fire or lightning
- loss of property not on the premises
- windstorm or hail
- explosion
- riot or civil commotion
- smoke
- vandalism and malicious mischief
- theft
- glass breakage to a building
- aircraft
- vehicles

A **broad policy** includes the 11 hazards already mentioned plus the following:

- falling objects
- weight of ice, snow, sleet
- collapse of buildings
- certain accidental damage to and from steam and water systems
- frozen pipes
- certain electrical damage to appliances

A **comprehensive policy** protects against all perils except those specifically excluded, usually earthquake, landslide, flood, surface water, tidal water or wave, sewer backups, water seepage, war, and nuclear radiation.

A **renter or tenant policy** is the same as homeowners except it protects the possessions of apartment dwellers against damage or loss caused by fire and other perils covered in the policy. It, of course, does not protect the structure of the building.

For dwelling contents, normal homeowner and renter policies may pay for **actual cash value; replacement cost** coverage is usually available at a higher premium. **Actual cash value** is what the property was worth just previous to the loss. To determine the claim amount, it is helpful to price a comparable item of about the same age. The "want ads" often give clues to an item's worth.

Depreciation also determines payment. Depreciation represents a product's usage and age, and is the amount of money subtracted from the cost of replacing the item. Let's say the roof blows off a house in a severe storm. The roof is only 10 years old, but the average lifespan of an asphalt roof is 20 years. Since it already had depreciated 10 years, the insurance company will pay half the replacement cost. The homeowner will pay the rest.

Replacement cost insurance, on the other hand, would have covered the entire cost of the roof. Premiums are higher, and policyholders must insure for at least 80 percent of the value of the property to collect in full for partial damages.

Today, many homeowners insurance policies do provide replacement cost on buildings **without** increased premium as long as it's insured 80 percent of value.

Policyholders should review their insurance periodically to ensure adequate coverage. To cover items accumulated during the years, the amount may need to be increased or additional insurance purchased. For example, as antiques increase in value, more insurance is necessary to protect them. Or, Persian rugs added to the family possessions may also need to be insured. Policyholders should ask their agent or insurance company for advice.

An agent might recommend a floater, or rider, for the policy. It covers all risks of a particular item and can be added to an existing policy. The claim usually needs to be submitted with a sales slip or appraisal.

Another aspect of homeowners and renters insurance is personal liability coverage, which protects policyholders and their families from lawsuits. It also protects anyone younger than 21 living in the dwelling and for whom the family is responsible. Coverage includes liability for another person's injury on the policyholder's property and damage to the property of others, up to the policy limits. Examples might be a neighbor falling on a policyholder's sidewalk or the family dog chewing up the neighbor's lawn chair.

Property liability insurance excludes motor accidents, and professional malpractice; coverage relating to property rented to others may be added. ATVs (all terrain vehicles) may or may not be covered depending on the policy.

Before buying homeowners and renters insurance, it's a good idea to comparison shop. Rates vary. Check insurance availability through your credit union, associations, or other membership organizations.

Policyholders also should draw up a personal inventory and keep it somewhere other than their house or apartment. It not only helps determine the value of property but makes claims easier to settle. Pictures of possessions also should be taken. Sales slips and appraisal certificates help prove value, too.

When assessing insurance needs, property owners should imagine how losses might occur and what would happen if they did. For example, a person might feel his or her artwork is adequately insured through a homeowners or renters policy. What if it's shipped to art exhibits and shows, though? Then a floater or inland marine insurance may be necessary. Antiques need to be appraised; otherwise the insurance company might consider them old furniture rather than priceless possessions.

SUGGESTED TEACHING ACTIVITIES

ACTIVITY SHEET: A Personal Inventory

OBJECTIVE:
To compare the cost of replacing a loss with and without insurance.

DIRECTIONS:
Have students list personal belongings and indicate replacement costs. Then ask two of the students to volunteer their lists as a class assignment. Ask two or more volunteers to check the cost of insuring these items, each contacting two different insurance companies. Then discuss the findings in class. Did rates differ? By how much? What accounts for these differences? Next ask the students if their possessions are now insured. Also ask what other protective measures they can take to ensure the safety of their belongings.

ANSWERS:
1: Individual
2: Other than insurance, students can identify items with special pens available from the local police department, use safety locks, keep a personal inventory with pictures, ask friends and neighbors to be alert to burglars, and keep certain valuables (jewelry, financial records) in safe deposit boxes or a fireproof safe.

ACTIVITY SHEET: You're Covered

OBJECTIVE:
To help students identify the various types of property and casualty insurance.

ANSWERS:

casualty insurance	inland marine
property insurance	worker's compensation
basic	title
comprehensive	fidelity
floater	surety
theft	product liability
burglary	

ACTIVITY SHEET: What Kind to Buy

OBJECTIVE:
To help students sort out the coverage that's necessary for different needs, lifestyles, and situations.

ANSWERS:
1: Renters insurance is best since it will cover losses due to a wide variety of mishaps, such as theft, burglary, robbery, fire, and falling objects. Homeowners is unnecessary since Mary Kay is a renter not an owner of the property. The owner's insurance will cover the building, but not her possessions.
2: A floater added to his parent's homeowners policy. The coin collection no doubt is worth considerable money, beyond what a regular homeowners policy will pay. A floater, therefore, is necessary. To determine the amount of coverage, the coins should be appraised.
3: Fidelity insurance. It helps assure financial institution depositors of getting their money when they want it, even though a dishonest employee may have taken some of it.

ACTIVITY SHEET: Is it Fact or Myth?
OBJECTIVE:
To help students understand basic concepts of property and casualty insurance.

ANSWERS:

1. F	6. F
2. T	7. F
3. T	8. F
4. F	9. F
5. T	

CLASS DISCUSSION QUESTIONS

Discuss the limitations of property insurance policies. How do people protect themselves against perils such as floods, landslides, and earthquakes?

Ask students why it's important to have casualty insurance. What are some of the possible consequences of not having it? Have the class look for stories in the newspaper describing recent accidents or situations for which casualty insurance was important.

What should you consider before buying property insurance? How can you decide what's worth insuring?

Discuss with students what would happen if their belongings were destroyed in a fire or were damaged. Could their families afford to start over again? Have them describe what their feelings might be, and how insurance would help make the tragedy easier to bear.

Have students recall recent product liability suits in which a business had to pay a considerable sum of money. Discuss the pros and cons of such suits.

WHAT'S WHAT

Property and casualty insurances cover the responsibility of ownership. **Property insurance** provides coverage for personal items such as furniture, clothing, televisions, stereos, jewelry, and cars. It also covers real property, for example, building, land and houses. **Casualty insurance** protects against liability due to neglect, chance or accident; for example, someone falling on your property or being bitten by your pet.

Aside from homeowners and renters coverage, other types of property and casualty insurance include:

Theft, robbery and burglary
All protect against these crimes, although each is somewhat different. **Theft** is the broadest protecting against most unlawful taking of property. Coverage usually is for the value of the item at the time of loss rather than for replacement. **Robbery** covers the unlawful taking of property, but force or the threat of force must be used. **Burglary** protects against forcible entry.

Marine
Protects sea vessels from storms and other perils.

Fire
Protects against fire losses; also may be extended to include damage due to wind, hail, water, riot, and smoke.

Automobile
Protects against losses from theft, fire, hail, falling objects, collision, and from claims of other persons involved in auto accidents. For more information, see the chapter on page 13.

Worker's compensation
Covers medical expenses of employees injured while on the job. Provided under state law.

Health
Covers losses due to sickness and accidents. For more information, see the chapter on page 21.

Fidelity
Bonds issued on certain employees, such as financial institution tellers, to protect employers against losses from worker dishonesty or negligence.

Surety bonds
Protects against nonfulfillment of a contract. A contractor may sign a surety bond to guarantee construction will be completed by a certain time and within certain specifications.

Title
Protects buyers of property from irregularities in the purchase. Commonly bought when buying a house.

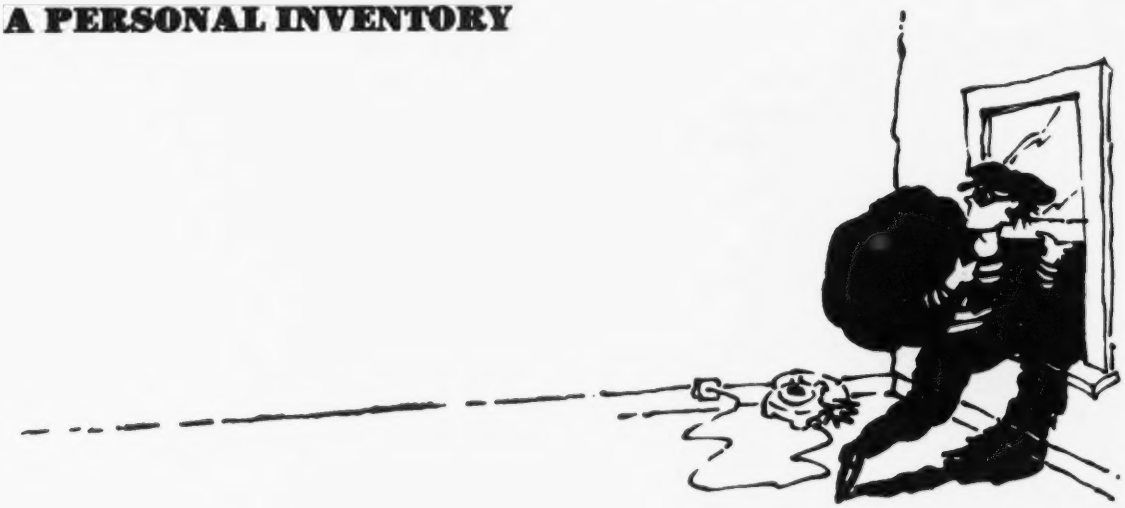
Credit
Protects lenders from bad debts, and ensures the debtor that payment will be made in case of death. For more information, see pages 18 and 31.

Public liability
Protects businesses and individuals from claims due to injuries or damage to property of others. Malpractice insurance is an example.

Product liability
Protects businesses from claims relating to the use of their products, for example, an unsafe appliance.

Inland marine insurance
Covers possessions while in transit.

A PERSONAL INVENTORY



1. List several of your most prized possessions. These are the ones you'd want to replace in case of fire, theft or burglary. Then estimate how much it would cost to replace these items. Next, find out how much it would cost to buy replacement insurance for everything on your list.

Personal belongings:	Cost to replace:	Estimated cost for replacement insurance:
_____	$ _____	$ _____
_____	$ _____	$ _____
_____	$ _____	$ _____
_____	$ _____	$ _____
_____	$ _____	$ _____
_____	$ _____	$ _____
	Total $ _____	**Total insurance cost** $ _____

2. What other suggestions do you have to protect these items? List them.

_____ _____

_____ _____

_____ _____

_____ _____

_____ _____

_____ _____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

YOU'RE COVERED

Choose the right term from the list for each of the definitions given.

property insurance	casualty insurance
floater	fidelity
inland marine	title
theft	comprehensive
basic	product liability
burglary	surety
worker's compensation	

1. _____ Protects against liability due to neglect, chance or accident, for example, your dog biting the neighbor.
2. _____ Provides coverage for personal possessions and buildings or land, such as your home.
3. _____ A type of homeowners policy that protects against fire, theft and other common problems but not freezing pipes or collapse of buildings.
4. _____ The most complete form of homeowners insurance; covers all perils except earthquake, floods, war, landslides, surface water, tidal waves and water, sewage backup, and nuclear radiation.
5. _____ Allows you to single out valuable items for coverage, such as gold jewelry; a regular policy may not cover these items.
6. _____ Protects against most unlawful taking of property, such as clothing, stereos, and furniture.
7. _____ Protects against losses due to forcible entry into your home or apartment.
8. _____ Protects possessions while in transit, for example, a traveling art exhibit.
9. _____ Provided to employees for medical expenses resulting from injury on the job.
10. _____ Protects buyers from irregularities in the purchase of property.
11. _____ Protects employers against losses from worker dishonesty or negligence that may occur with employees who handle money.
12. _____ Protects against nonfulfillment of a contract.
13. _____ Protects businesses from claims of unsafe products.

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

WHAT KIND TO BUY

1. Mary Kay planned to move into an apartment as soon as she graduated from school. She now was busy buying all sorts of things for her new place: chairs, lamps, a stereo, pictures, bed, dresser, and a sofa. She also bought a 10-speed bike.

   What kind of insurance should she buy to protect all these belongings?

   ☐ Homeowners insurance
   ☐ Renters insurance
   ☐ Theft, robbery, and burglary

2. While examing his coin collection recently, Robbie thought about its value. It had been given to him by his great-grandfather, who had started the collection during World War I. Robbie knew, therefore, that many of the coins were priceless. He wondered what would happen if his parent's house was burglarized, or there was a fire.

   What kind of insurance will protect Robbie's coin collection?

   ☐ A floater added to his parent's homeowners policy
   ☐ Homeowners insurance with no special additions
   ☐ Product liability insurance

3. When Sharon went to work as a credit union teller, her boss trained her to count money and reconcile her teller drawer at the end of each day. If there repeatedly was less money in her drawer than there was supposed to be, Sharon could be fired. In addition, she might be guilty of the crime of theft if she took the money. However, to make sure the people who saved at the credit union were safe from dishonest employees, an insurance policy existed for all the tellers, including Sharon.

   What kind of insurance protected the credit union from employee dishonesty?

   ☐ Surety bonds
   ☐ Public liability insurance
   ☐ Fidelity insurance

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

IS IT FACT OR MYTH?

Ask yourself:
How would you replace your belongings if they were lost, damaged, or stolen? Of course, one can't cover all losses, but it is wise to make responsible decisions on which items warrant protection. There are several types of insurance policies, so you should know what your needs are before you shop. Commonly, homeowners or renter insurance policies are used to protect against a variety of losses. There are three types of policies, BASIC, BROAD, or COMPREHENSIVE.

A **basic** policy usually protects against personal liability and property destroyed by: fire, loss of property not on the premises, windstorm, vandalism and malicious mischief, and theft, etc. The casualty portion of the policy protects you against injuries of others on your property when you are liable. A **broad** policy includes the covered hazards of a basic policy plus falling objects, collapse of buildings, frozen pipes, certain electrical damage to appliances and others. A **comprehensive** policy protects against all perils except those specifically excluded, usually earthquake, landslide, flood, surface water, tidal wave, sewer back-ups, war and nuclear radiation.

The policies described above provide coverage for the cash value of possessions at the time of loss unless replacement value coverage has been obtained. Replacement cost insurance will pay for the entire cost of the loss; most policies of this kind require that the property be insured up to 80 percent of its value.

1. T F When covered with homeowners or renters insurance, you will be reimbursed for all losses, regardless of the cause.
2. T F Casualty insurance protects you against liability claims in case someone falls on your property, gets hurt, and you are liable.
3. T F Homeowners and renters policies come in many different variations, and you should determine what your needs are before buying.
4. T F A broad homeowners policy covers all perils except such major disasters as earthquakes and war.
5. T F Some policies only cover the actual cash value of a possession; this represents the property's worth when the loss occurs, not at the price you paid for it.
6. T F Depreciation insurance covers the entire cost of replacement.
7. T F To collect in full for partial damage to property, you must insure it for 50 percent of value.
8. T F Homeowners and renters insurance provides life insurance coverage for personal injury while you are working.
9. T F Homeowners and renters insurance provides coverage for damages due to motor vehicle accidents.

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

AUTOMOBILE & MOTORCYCLE INSURANCE

Racing Tracy

"Her dream had always been to race.
So she sped from place to place.
The stoplight turned red,
she thought she could lick it;
the Policeman, instead, handed her a big ticket.
So now when insurance comes due,
she wished she had been like Slow Sue.
With premiums so high
it could make a girl cry.
To pay them is all she can do."

CHAPTER OBJECTIVES

1. **Identifies responsibilities and costs associated with ownership and use of a motor vehicle.**
2. **Outlines basic types of auto and motorcycle insurance.**
3. **Describes ways to save money on auto and motorcycle insurance.**
4. **Defines key terms associated with motor vehicle insurance.**
5. **Familiarizes students with procedures in case of an accident.**
6. **Stresses consequences of drinking and driving.**

KEY CONCEPTS

At 16, teenagers in most states can drive, although few can afford to purchase a car at this time. However, they still must remember that when they operate a motor vehicle, they accept adult responsibilities.

Impress on them the gravity of killing another person while driving a car or causing an accident that could result in hospital bills of $25,000 or more. Accidents like this happen all the time, especially among teenagers. Ask for examples among your own students.

While the cost of a car or motorcycle may range from $100 to $10,000 or more, damages caused by these vehicles can add up to many times that amount. Insurance protects drivers from costs due to property damage, injury or even death. Because individuals seldom have the personal resources to pay these costs, they need financial protection; and to provide it, many states require automobile liability insurance. It is important to be properly insured since there is no way of predicting when an accident may occur or to whom it may happen.

Financial responsibility laws require drivers to furnish evidence of financial responsibility. In some states, proof of financial responsibility — most generally liability insurance — is required before license and plates are issued. Other states make it clear that if a driver cannot meet the financial responsibility of a traffic violation or damages caused by an accident, it will result in immediate suspension of license and vehicle registration.

Automobile Insurance (formerly called Assigned Risk) Plans have been developed in the majority of states for the benefit of both consumers and insurance companies. For a variety of reasons, i.e., driving record, age, inexperience, etc., some insureds become known as higher-risks. The Automobile Insurance Plan provides for the sharing of risk by equally distributing these insureds among the state's insurance companies. Though higher than standard premiums may be charged, the Plan does help keep the rates within an affordable range in relation to the risk.

It's also important for students to understand that special insurance generally is required for street-use of motorcycles and all terrain vehicles (ATVs).

There are two major categories of motor vehicle insurance: Personal injury and property damage or loss.

The three types of **Personal Injury Insurance** are as follows:

1. **Bodily Injury Liability**
   Protects the insured, or policyholder, against claims and legal defense costs if someone in the car is injured or if the car causes injuries to people.
2. **Medical Payments Insurance**
   Covers medical expenses resulting from accidental injuries to those in the car. Since it includes coverage for passengers, it's necessary even if the driver and other family members are covered by health insurance.
3. **Uninsured Motorist Protection**
   Protects the insured against bodily injury, sickness, disease or death caused by the owner or operator of an uninsured auto or by a hit and run driver.

The three types of **Property Damage Insurance** are:

1. **Property Damage Liability**
   Protects the insured, or policyholder, against claims and defense costs in case the property of others is damaged in an auto or motorcycle accident.
2. **Collision Insurance**
   Protects the policyholder's vehicle against damage caused by collision or accident.
3. **Comprehensive Damage**
   Pays when a policyholder's vehicle is stolen or damaged by fire, flooding, hail or other perils (except those covered by collision insurance).

Credit unions, banks and other lending institutions usually require comprehensive and collision insurance when they loan money for cars and motorcycles. Since the vehicle is collateral for the loan, the lender wants to protect the value of the car. It is important for the lender to be concerned about the condition of the car in case the borrower can't pay back the loan. A recourse of the financial institution is to repossess the vehicle.

In most states, fault must be established before payments are made for injuries, damage and death. Some states, have no-fault auto insurance. With this system, medical and other expenses are paid by the owner's or operator's insurance company regardless of who was at fault or legally liable. Usually there are limits on the right to sue.

Premium costs for insurance are dependent on many factors, including the driver's personal profile and the administrative costs of the company. Records and statistics help insurers predict the probability of accidents and the severity of future losses within specific groups.

Auto insurance rates also are based on the experience of drivers with similar characteristics. All the following are considered by insurance companies when determining rates:

1. **Age**
   Young drivers have more accidents than any other group. Age often reflects lack of driving experience, skill, maturity and judgment.
2. **Sex**
   Losses caused by female drivers 25 years of age and younger are significantly lower than for males of the same age.
3. **Marital status**
   Financial losses currently are three times as high for unmarried male drivers than for married males in the same age group. Explanation: Statistics indicate that married males have "safer" habits and lifestyles, drink less alcohol, and drive fewer miles.
4. **Use**
   The probability for an accident increases with the number of miles driven; therefore, use affects premiums. The more you drive, the more you pay.
5. **Territory**
   People in metropolitan areas often pay higher insurance premiums than those in rural or less congested places. This is due to the increased risk of accidents.
6. **Type of car**
   It costs more to repair some cars than others; you pay accordingly.
7. **Theft**
   A sports car is more likely to be stolen than a station wagon; therefore, the sports car usually costs more to insure.

To determine rates, insurance companies also consider previous driving records, academic achievement, and other criteria, such as smoking. A driver with a history of moving vehicle violations and accidents generally has difficulty getting insured and always pays higher premiums.

Premiums have risen in recent years because of increasing medical care costs, auto repair costs, and other inflationary pressures.

SUGGESTED TEACHING ACTIVITIES

ACTIVITY SHEET:
Cars: A Big Responsibility
OBJECTIVE:
To build awareness of the financial costs of owning and operating a car.

DIRECTIONS:
There are three different sets of prices for students to obtain: repair and maintenance, insurance, and financing. After students complete the worksheet, discuss their answers in class. Point out the variety of prices within the class. Also remind students to ask lenders about the costs for credit insurance and a credit check.

Have each class member tally costs, as indicated. Discuss the impact of car expenses on the family's budget.

ANSWERS:
Individual, depending on local costs.

ACTIVITY SHEET: Automobile Insurance Terms
OBJECTIVE:
To teach the definition of key insurance words and phrases.

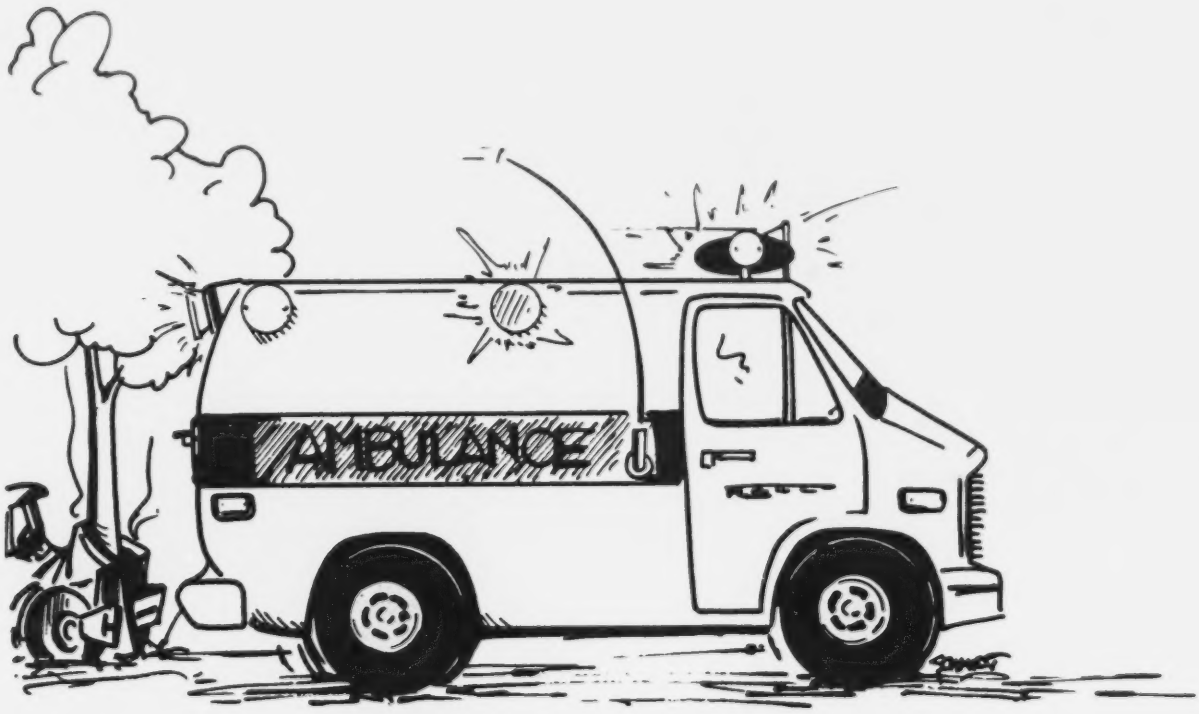
DIRECTIONS:
Have students complete the story by providing the correct insurance terms. All are basic to a good understanding of auto coverage.

ANSWERS:
agent
policy
canceled
claim
automobile insurance
automobile insurance plan
premium
liable
accident
financial responsibility law

ACTIVITY SHEET: Sequence of an Accident
OBJECTIVE:
To increase student understanding and awareness of events before and after a motor vehicle accident.

ANSWERS:
1. Stop and turn off the vehicle ignition.
2. Make sure the vehicles involved in the accident aren't moved. Common sense should dictate if moving vehicles would prevent further damage or injury. However, care should be taken to prevent someone from leaving the scene of the accident.
3. Slow down or stop traffic, using flares if possible. Attend to and protect those involved in the accident so there is no further injury or damage.
4. Give first aid to the injured. Do not, however, move injured persons unless it's necessary to get them out of traffic. Keep them warm with a blanket or clothing. Send for a doctor or ambulance.
5. Notify police; then stay at the scene of the accident until he or she arrives.
6. Gather all information pertinent to the accident, for example, names of other drivers involved, license numbers and expiration dates.
7. Be careful who you talk to about the accident. Don't discuss details with anyone other than police, members of your family or emergency medical personnel. Don't take money or sign any releases for damages or injury. You also may want to contact an attorney.
8. Contact your insurance agent as soon as possible. Once necessary information has been given, your claim will be processed by an adjuster.

Depending on the extent of personal injury, these generally are recommended procedures. Discuss them with the class. Ask if anyone has experienced an accident. If so, have the person give his or her impressions of what was and was not done properly.



ACTIVITY SHEET: Cutting Car Insurance Costs

OBJECTIVE:
To illustrate how to save insurance premiums through comparison shopping and to point out differences in cost.

DIRECTIONS:
There are many ways to save money when purchasing motor vehicle insurance. Some of them are outlined here. Review them with students before they actually do the exercise on discounts.

1. Compare premium costs. Have four or five students call different local agents and ask about the following coverages and limits for a 1984 Buick Skylark. Drivers of the car are the parents (a 45-year old male and a 43-year old female) and a 19-year old male. The policy provisions, for the sake of comparison can be:

   $100,000/300,000 bodily injury
   $25,000 medical payments
   $100,000/300,000 uninsured motorist

   $100,000 property damage
   $100 deductible on comprehensive
   $100 deductible on collision

   Some insurance companies write auto coverages based on a single-limit plan. What this means for example is: $300,000 can be used in any combination to cover bodily injury or property damage. The split limits as shown above, restrict the coverages as listed. Such as $100,000/$300,000 means: a maximum of $100,000 per individual, $300,000 per accident.
2. Take advantage of large deductibles, for example, the premiums with a $250 deductible are lower than with a $100 deductible. Have two students compare prices with different deductibles.
3. Check for discounts, including the following:
   - Driver education and/or good student discount
   - Defensive driving course discount
   - Good driving record discount
   - Inexpensive car maintenance discount
   - Antitheft devices discount
   - Multicar discount
   - Nonsmoker
   - Good grades

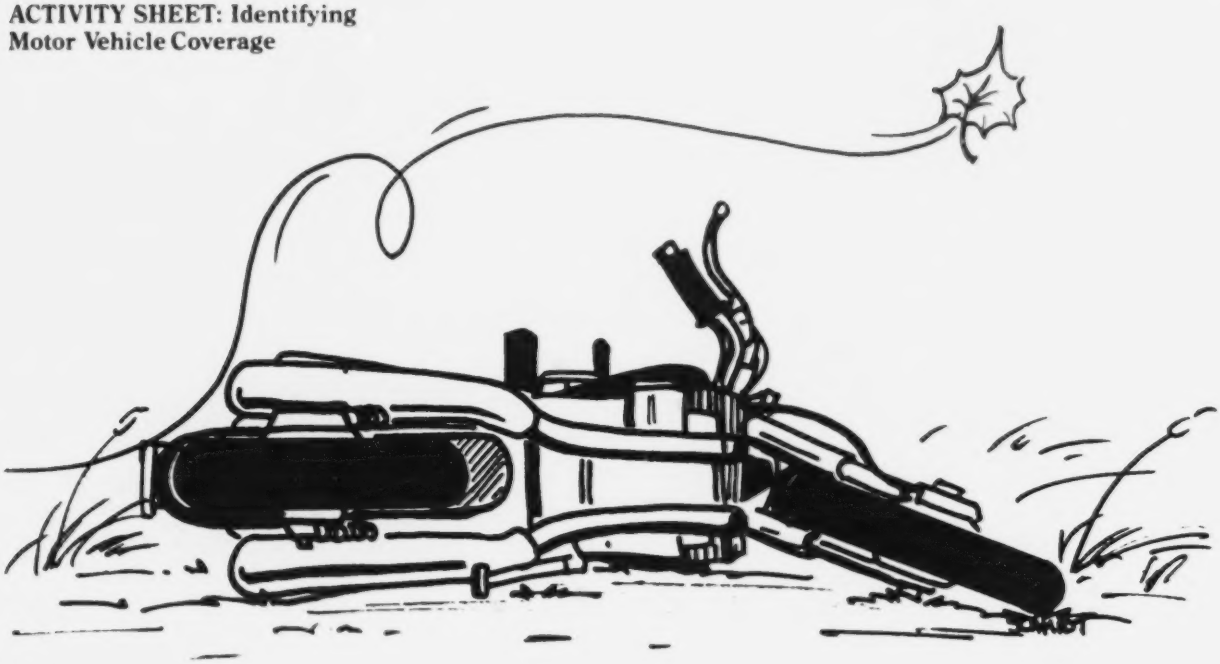
Ask students to fill out the activity sheet on discounts.

Also mention to students there are cost differences for being listed as a primary or secondary driver of the vehicle. Students should check with the insurance company to find out if they could be listed as a secondary driver on an existing automobile policy.

Point out, too, that it's risky to lower liability coverage in order to save money. Instead, students should seek other alternatives (higher deductibles, good driving record, modest car style). Depending on the age and condition of the car, collision insurance also may be eliminated in order to cut costs. Have students ask themselves whether a car is worth fixing or replacing.

ANSWERS:
Individual

ACTIVITY SHEET: Identifying Motor Vehicle Coverage



OBJECTIVE:
To reinforce the idea that a policy has many different coverages.

DIRECTIONS:
Using the activity sheet, have students match the situations with the type of insurance coverage that applies. Then discuss the answers, pointing out the versatility and importance of auto insurance coverage.

ANSWERS:

1: Collision and comprehensive. These two coverages often are dropped with older cars since they aren't worth fixing if damaged.

2: Medical payments insurance. This covers passenger medical bills. If Ted is at fault, his bodily injury and property damage liability will also provide coverage. Sally may have a claim for pain and suffering, lost wages, permanent disability and damage to personal property.

3: Comprehensive. This covers vehicles damaged by fire and similar perils.

4: All three — medical payments insurance, bodily injury liability, and property damage liability. Remind students of the importance of insurance coverage. They, like Peter, could be sued for thousands of dollars due to an accident that they cause.

5: Property damage liability.

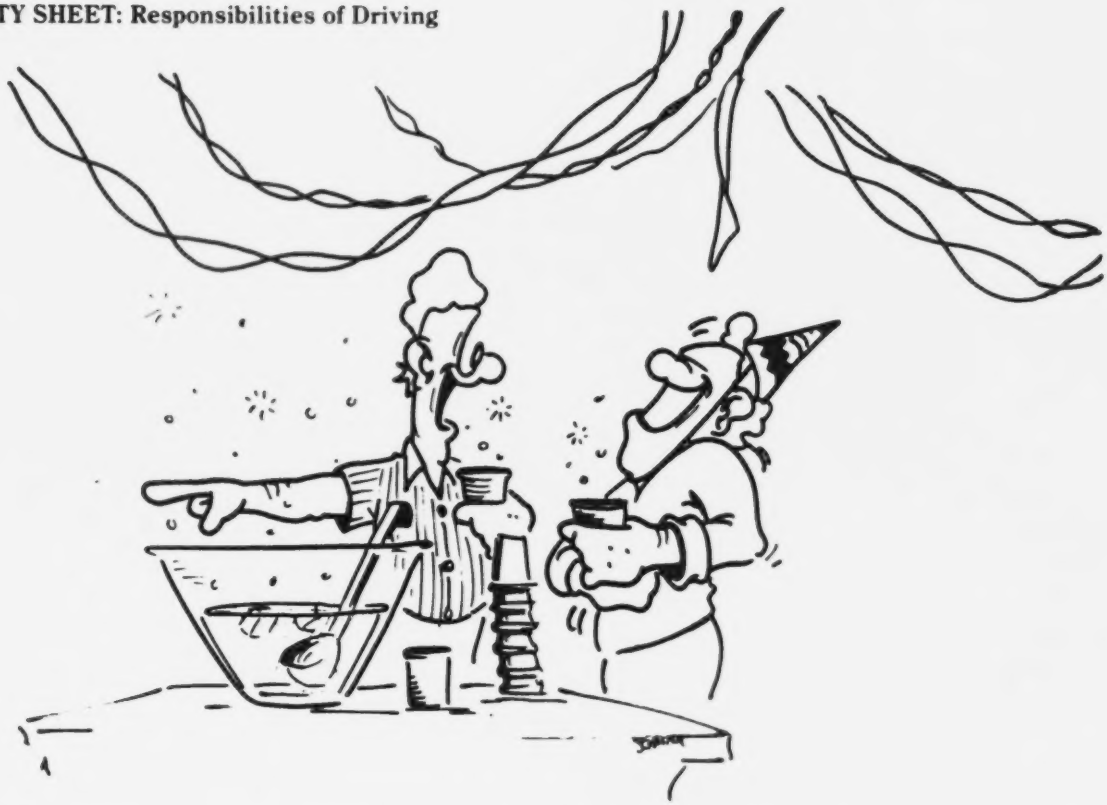
CREDIT INSURANCE

Credit insurance is another important coverage to consider when buying a car. It's offered by financial institutions to protect both the borrower and the lender. If the borrower dies or is disabled during the term of the loan, the balance is paid back in full. Family members don't have to worry about the debt, and the financial institution receives its money through the insurance company. Most credit unions offer credit insurance at low rates; others don't charge extra for it.

FACTS FOR DRIVERS

- The young adult age 15 to 24 years old is the major victim of all motor vehicle fatalities.
- Alcohol is a factor in more than half of all fatal automobile accidents.
- "Driving too fast for conditions" is listed as the major cause for three-out-of-ten accidents.
- Most fatalities happen in winter, at night, and the latter part of the weekend.

ACTIVITY SHEET: Responsibilities of Driving



OBJECTIVE:
To forcefully impress on teenagers the responsibilities they inherit — both for themselves and others — when they drive a car. Use this activity as a constructive discussion about drinking and driving.

ANSWERS:

1: **a.** The punch shouldn't have been "spiked" without the knowledge of those at the party.
b. With five other people in the car, John is responsible for each one, yet he wasn't even capable of taking care of himself. He shouldn't have been driving.
c. John probably wasn't wearing his seat belt, since he was thrown from the car.
d. The passerby shouldn't have moved John since he wasn't in danger of being hit by another car or in any other danger.

2: **a.** A designated driver was appointed.
b. The passerby did notify the police immediately.
c. The passerby gave police a full account of the accident, along with name and address information.

3: "Spiking" punch without the knowledge of those drinking it is like secretly adding drugs to someone's food. Possible consequences include an accident, illness, a lawsuit, or death of a friend.

4: The person is to remain sober so he or she can take responsibility for the safety of others in the car. Intoxicated drivers take an enormous risk that they'll injure or kill others and could be sued or jailed as a result.

5: John should not have fulfilled his agreement to drive once he drank the "spiked" punch. Instead, another driver should have been appointed.

6: He should have pulled over, locked the car, and slept until he could drive home safely.

CLASS DISCUSSION QUESTIONS

Ask students to think about a recent court settlement. Would the car insurance they or their parents have cover a major liability suit?

What happens if a driver is sued and doesn't have insurance, or if coverage is inadequate?

Insurance companies often charge higher rates for males in their mid- to upper- 20's and younger. Why?

What are the reasons for the rising cost of automobile insurance?

CYCLE SAFETY

Operating a motorcycle is risky. Motorcycle accidents are a leading cause of death among young people. Obviously, motorcycling appeals to a younger segment of the population and, unfortunately, it is this age group that is most often represented in accident statistics. The statistics are alarmingly high when considering the number of youths actually operating a motorcycle. In fact, the experience of one major insurance company is that more reported youth fatalities are caused by motorcycle accidents than any other cause of death.

1) Learn to ride BEFORE riding on busy streets or highways by practicing in less congested areas. Often local organizations or government agencies provide instruction designed for beginning riders. Experience with stopping distances and different road conditions is advised.

2) Wear protective clothing. This can substantially reduce injury in case of an accident:

- *Helmet
- *Jacket
- *Long leg pants
- *Boots
- *Gloves
- *Eye Protection

Always wear a helmet. This single item may save a life; head injuries are a leading cause of death in motorcycle accidents. In Wisconsin, when the legislature repealed the law requiring riders to wear helmets, motorcycle fatalities went up.

3) Practice defensive driving. Loss of right-of-way is a leading cause of accidents. Do not assume that other motor vehicles see you. Extra caution at intersections and avoiding the other driver's "blind spot" is sound advice.

4) Never drink and drive. Slowed reaction time or loss of sense of balance while riding a motorcycle can be fatal.

5) Keep motorcycle and equipment in good operating condition.

6) Take extra care when carrying passengers. It is always a good idea to tell them the proper way to ride for balance and control.

7) At night, take care not to override your headlight by driving too fast for stopping purposes. Reflective clothing at night is also suggested to increase visability.

8) Fasten all loads you carry securely to the motorcycle.

CARS: A BIG RESPONSIBILITY

Cars are fun, but they're also costly. In fact, they're usually a family's second largest expenditure. You'll see why after completing this exercise.

1. Price the various maintenance jobs specified below. All of them are typical expenses resulting from car ownership and usage.

Tank of gasoline .....$_____

Lubrication.....$_____

Realignment .....$_____

Oil change .....$_____

Tire rotation .....$_____

Tune-up .....$_____

Valve adjustment .....$_____

New brakes .....$_____

New fan belts .....$_____

New window and door gaskets .....$_____

Engine overhaul.....$_____

New muffler .....$_____

New alternator .....$_____

New tires.....$_____

New wheel bearings .....$_____

2. Now ask your family for an estimate of how much is spent each year on its car maintenance, including gasoline. Record the cost here:

Total cost of annual $_____

3. Price the car insurance policy held by your family. Generally, each of the following coverages will be included so obtain an annual cost for each of them as well as a total premium cost. If your family doesn't have a particular coverage, find out why and report back to class. Also find out how much more your parents pay to cover the cost of teenage drivers.

Costs:

Bodily injury liability .....$_____

Medical payments insurance .....$_____

Uninsured motorist protection .....$_____

Property damage liability .....$_____

Collision insurance.....$_____

Comprehensive .....$_____

Annual cost .....$_____

Additional annual cost for teenager to drive .....$_____

Total annual budget .....$_____

4. Price a new car loan to determine monthly payments. Assume $7,000 of financing for four years. For the best deal, compare prices at several financial institutions, including credit unions. Remember to include the cost of a credit check and credit insurance. Now convert the monthly figure to an annual one.

Total annual cost $_____

5. Tally all the expenses: repair and maintenance, insurance, and financing.

Grand total $_____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

AUTOMOBILE INSURANCE TERMS

liable
accident
automobile insurance plan
canceled
agent
claim
policy
premium
financial responsibility law
automobile insurance

Jason's first major investment was a car. His parents agreed to the purchase if he would pay all expenses, including automobile insurance, maintenance, and licensing fees.

Jason called an insurance _____ to explain what type of _____ would best serve his needs. Jason had a shakey driving record. In fact, he had been involved in three accidents within the last year. Jason's coverage had been _____ by the last insurance company after he submitted a _____, even though he was listed on his parent's policy. As a result, his new _____ had to be purchased through an _____.

Jason knew his _____ would be high. He also realized how important it was to be covered in case he was _____ in an _____. Until his insurance policy was purchased, he would not satisfy the _____ necessary for motorists to prove their ability to pay for auto damages.

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

SEQUENCE OF AN ACCIDENT

Arrange these events in their correct sequence.

_____ Contact your insurance agent as soon as possible. Once necessary information has been given, your claim will be processed by an adjuster.

_____ Give first aid to the injured. Do not, however, move injured persons unless it's necessary to get them out of traffic. Keep them warm with a blanket or clothing. Send for a doctor or ambulance.

_____ Stop and turn off the vehicle ignition.

_____ Slow down or stop traffic, using flares if possible. Attend to and protect those involved in the accident so there is no further injury or damage.

_____ Gather all information pertinent to the accident, for example, names of other drivers involved, license numbers and expiration dates.

_____ Notify police; then stay at the scene of the accident until he or she arrives.

_____ Make sure the vehicles involved in the accident aren't moved. Common sense should dictate if moving vehicles would prevent further damage or injury. However, care should be taken to prevent someone from leaving the scene of the accident.

_____ Be careful who you talk to about the accident. Don't discuss details with anyone other than police, members of your family or emergency medical personnel. Don't take money or sign any releases for damages or injury. You also may want to contact an attorney.

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

CUTTING CAR INSURANCE COSTS

When 18-year-old Adam found out his car insurance would cost $1,000 a year, he was ready to turn in his car keys. He did some shopping around but still was discouraged. Then he talked with an insurance agent who explained that Adam qualified for several discounts. Using these discounts, Adam saved $468 a year on his insurance bill.

Check the list below for discounts you might qualify for when shopping for insurance.

☐ **1.** Driver education discount. Many companies offer discounts for students who have completed driver's education courses at school.

☐ **2.** Good student discount. Are you an honor student? Do you have a B average or better? Are you in the top 20 percent of your class? These accomplishments could reduce auto insurance costs 5 to 20 percent.

☐ **3.** Low mileage discount. Your rates can be discounted for driving fewer than 7,500 miles per year.

☐ **4.** Good driver discount. If you haven't had an accident for at least three years and haven't had any moving violations, you're eligible for good rates.

☐ **5.** Driver improvement discount. In some states, insurance companies offer discounts for special courses (privately or publicly) that improve driving ability. The National Safety Council's course on defensive driving is an example.

☐ **6.** Limited use discount. Do you ride in a car pool? Do you use your car more for pleasure than work? If so, you may find discounts for limited use of your vehicle.

☐ **7.** Garage discount. If you keep your car in a garage, the vehicle may be more secure, qualifying you for additional discounts. This is especially relevant in big cities.

☐ **8.** Safety discount. Automatic safety belts and antitheft devices can reduce insurance rates.

After checking those for which you qualify, call your family insurer to see how much you can save with discounts. Record the amount here:

$_____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

IDENTIFYING MOTOR VEHICLE COVERAGE

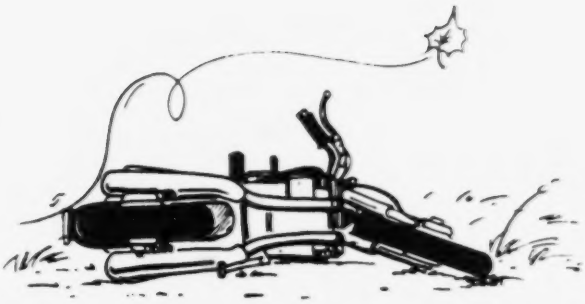
Choose the correct answer for each of the following statements.

1. Wendy just bought a new car and is shopping around for insurance. Since she'd always driven a "heap of the week," she should remember to protect her new car with two additional coverages. Which ones are they?

   _____ Bodily injury liability
   _____ Property damage liability
   _____ Collision insurance
   _____ Medical payments insurance
   _____ Comprehensive damage

2. While driving home from school, Ted's car skidded on an icy patch of road. Because Ted was wearing a seat belt, he suffered no injuries. However, his girlfriend, Laura, didn't have a seat belt on and was thrown into the dashboard. As a result, she suffered serious head injuries and was hospitalized for a couple of days. Which of Ted's coverages will cover his girlfriend's hospital stay?

   _____ Medical payments insurance
   _____ Bodily injury liability
   _____ Uninsured motorist protection



3. Sally's motorcycle tipped over in a high wind and was damaged. She didn't have insurance, so the $325 repair bill cost her several weeks of her paycheck. What type of insurance would have covered her loss?

   _____ Property damage liability
   _____ Collision insurance
   _____ Comprehensive damage
   _____ Uninsured motorist protection

4. For Peter it was a nightmare. On his way back from a party, he struck a bicyclist with his car. The woman was badly injured and spent a week in the hospital. When she recovered, she sued Peter for negligence. What coverage will pay the claim if Peter is found guilty?

   _____ Medical payments insurance
   _____ Bodily injury liability
   _____ Property damage liability

5. Annie, who didn't have insurance, lost control of her car while "driving too fast for conditions" during a rainstorm. Fortunately, no one was hurt. However, her car did hit a homeowner's big, beautiful birch tree and severely damaged it. The homeowner asked to be reimbursed for damages so he could replace the tree. What coverage will pay the costs?

   _____ Collision insurance
   _____ Comprehensive damage
   _____ Property damage liability
   _____ Uninsured motorist protection

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

RESPONSIBILITIES OF DRIVING

Read the short story; then consider the actions described in the story and answer the questions.

John never drank alcohol at parties and therefore was always the designated driver. This night was no exception — or so he thought. He drank the punch, but didn't know it had been "spiked" with a large amount of vodka.

When he drove home that night, the other five people in the car didn't realize he was legally drunk. After John dropped off his last passenger, he fell asleep at the wheel. The car veered off the road and hit a tree. John was thrown from the car and was found 15 feet away in a ditch.

The police and an ambulance were called to the scene. A passerby who witnessed the accident had phoned authorities. He also moved John, who was unconscious, to the side of the road. The passerby then gave police a full account of the accident along with his name and phone number.

1. In this scenario, what was done incorrectly or without regard for consequences? There are at least four answers.

_____

_____

_____

_____

2. What was done correctly? There are three answers.

_____

_____

_____

3. What are the possible consequences of "spiking" the punch?

_____

_____

_____

4. What are the advantages of appointing a designated driver who won't drink?

_____

_____

_____

5. If John had realized he was drunk, what should he have done?

_____

_____

_____

6. When John felt sleepy at the wheel, what should he have done?

_____

_____

_____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

HEALTH INSURANCE

Au Gratin Rotten

"A student at work in the Olde Inn
burned her hands serving potatoes au gratin.
Her customer said sorry.
But it wasn't his worry.
File a claim with the insurer of the Olde Inn."

CHAPTER OBJECTIVES

1. Presents possible consequences of inadequate insurance coverage.
2. Explains basic types of health insurance.
3. Describes alternative types of health care programs.
4. Defines key terms.
5. Stresses the positive aspects of preventive medicine.
6. Suggests ways to save on medical and health care, and insurance costs.

KEY CONCEPTS

One out of seven people are hospitalized every year. Many more need medical attention. Providing for that care is expensive.

Hospital room rates in 1985 averaged more than $300 a day, showing a jump of 460 percent in the past 15 years. During that same time, the overall cost of medical care has increased more than 230 percent. As a result of these costs, health insurance is a necessity. Without it, a person's income can be cut off, savings wiped out, and proper care neglected. For these reasons, more than 90 percent of Americans have some form of health insurance.

Students should imagine needing a cast for a broken leg or arm, an appendix removed, braces for their teeth or a new pair of glasses or contacts. What about a serious auto accident? How would these medical bills be paid if there were no insurance?

As teenagers approach adulthood, they must think seriously about the importance of health insurance. Family policies often cover dependents only until age 19, with extended coverage to age 23 for full-time college students. Plans differ widely though, and should be checked. Many students have been surprised to find themselves without coverage. Those that marry almost always are discontinued from their parent's coverage.

Like other insurance, health insurance has many varieties. The three principal types are basic, major medical, and disability. Each can be sold separately or as a package.

Basic health insurance takes care of initial hospital, surgery and supply costs, usually from the first dollar. However, there are ceilings on how much the policy will pay and for how long. There are also restrictions on what's covered. For example, a policy may not pay more than $1,500 for surgery, allow no more than 15 days in the hospital, and refuse to pay private room rates. A major difference among policies is the money paid per day for hospitalization. This should be checked carefully to make sure it's enough to handle today's high rates.

Because basic medical only pays for certain items and for certain amounts, it is referred to as scheduled coverage. A schedule, or list, of coverages is included with the policy. Schedules vary greatly among policies so it's important to find the coverage that best meets individual needs.

Also, outpatient costs rarely are included in basic health plans. In fact, this type of insurance is really only adequate for minor illness and injury.

Major medical insurance has become popular today because of rising medical costs. It's now a necessity for nearly all serious illnesses and injuries.

There are three important characteristics of major medical: A high upper limit of coverage, a deductible, and coinsurance. The upper limit varies with the policy and can range from $10,000 to $1 million. The deductible and coinsurance represent costs paid by the policyholder. The deductible is what he or she pays before the coverage goes into effect, say, the first $100 or $250. Coinsurance is the portion of the bill that's shared with the insurance company. The policyholder commonly pays 20 percent; the company, 80 percent.

Since even 20 percent can be a costly amount, there usually are limits to what the policyholder must pay. Once that limit is reached, the company pays 100 percent of the costs up to the limits of the policy. This is referred to as disappearing coinsurance.

Raising the upper limits of the major medical insurance can be relatively inexpensive; it's an excellent way to maximize coverage for very little additional money.

Of course, major medical policies differ in what they insure. Hospital and doctor bills usually are covered, as are prescription drugs. Dental care may be included, but with a separate schedule, deductible, and limit. Eyeglasses, contact lenses, and maternity expenses also are dealt with differently.

Disability insurance pays an income to the policyholder if he or she can't work due to an injury or illness. The amount of coverage is usually restricted to one-half to two-thirds of gross pay. This encourages people to return to work as soon as possible rather than depend on their disability coverage.

Instead of a deductible, disability insurance has a waiting period before the policyholder can collect benefits. It varies from one week to six months depending on the policy. First-day coverage is available but is very expensive.

It's important to note that many employee group health plans do not include disability. Individuals must pay the coverage separately. If so, it's a good idea to match the waiting period to sick leave benefits.

Premiums for disability are quite costly; therefore, people usually buy policies to provide a minimum income in case of an emergency.

For medical costs resulting from on-the-job injuries, most full-time employees are covered by **worker's compensation** policies. They are administered through each state, and vary from one state to another. Generally, though, worker's compensation covers a percentage of the employee's pre-disability wage. Usually there's a ceiling on benefits.

One of the best ways to save money on health insurance is through a group plan. Group health insurance is offered by employers and other membership organizations. Employers often pay for all or part of the premium, making the plan particularly attractive to employees. Because of the cost of health insurance, job seekers often consider an employer's plan an important aspect of employment. All consumers should find out what group plans are available to them before buying health coverage individually.

College students should check into the campus health service. Group programs often are available either as supplements to parental coverage or as independent coverage. Benefits may not include hospitalization, though.

Another health care alternative is membership in a **health maintenance organization** (HMO). These organizations provide treatment on a prepaid basis; insurance, on the other hand, pays after treatment.

Characteristic of HMOs is the emphasis on preventive care, including regular checkups and treatment for minor ailments that might be ignored otherwise. Disability coverage is not included.

Some people don't use HMOs, however, because they're required to deal with a staff doctor at the clinic or one appointed from a nearby hospital. Individuals who already have a physician often don't want to switch health care providers.

Each HMO has membership requirements, including residence in the area.

Medicare and **medicaid** are other health care programs. Medicare covers some hospitalization, surgery, and convalescence primarily for people age 65 and older. Medicaid is for low-income people, the unemployed, and as a medicare supplement to those who can't afford their own coinsurance.

When deciding on a policy or group plan, the following questions should be considered:

1. **What are the exclusions?**
   Make sure the care that's most wanted or needed is included in the policy. Generally, the lower the premium, the more limited the coverage.
2. **Are there preexisting conditions?**
   Most policies only cover illness or injury that develops after the policy is in force. For example, if the policyholder already has been diagnosed as having a heart problem, the policy will exclude treatment for heart problems or impose a waiting period before coverage for treatment begins.
3. **Are there limitations on who can provide service?**
   With some policies, coverage applies only if the patient uses a hospital and doctor contracted by the insurance company. This may or may not affect the care that's received.
4. **Can the policy be canceled, or conversely, can it be renewed?**
   If a person develops an illness after the policy is in effect, he or she certainly won't want the coverage dropped.
5. **What is the waiting period?**
   Most hospital expenses are incurred in the first three to five days. If payments are held off until the second week, the policy may be useless.
6. **What are the limitations on coverage?**
   A hospital policy that pays up to $5,000 sounds like a lot, but if it applies to six month's of coverage, the per day rate doesn't amount to much. Also, a policy that pays a high rate for only a few days may not be sufficient either.
7. **Does the policy only cover one or two illnesses?**
   These so-called "dread disease" policies not only restrict what they cover but impose strict ceilings on how much they pay.

SUGGESTED TEACHING ACTIVITIES

ACTIVITY SHEET: Who Pays The Bills?

OBJECTIVE:
To help students understand the various payment provisions of health insurance.

DIRECTIONS:
Have students complete the exercise, indicating who pays the deductible and the coinsurance, and what the amounts are for Mary's $10,100 bill.

ANSWER:
Of Mary's $10,100 bill, she pays a total of $1,100; $100 is the deductible and $1,000 is coinsurance (20 percent of the bill up to $5,000). The insurance company pays $9,000, or 80 percent of the bill up to $5,000 ($4,000) and 100 percent after that up to the $100,000 limit ($5,000).

ACTIVITY SHEET: Medical Unscramble

OBJECTIVE:
To teach the definition of key health insurance terms.

DIRECTIONS:
Have students read the definition of each scrambled word, and then unscramble and rewrite the word in the blank provided.

ANSWERS:

ehltah ncinsurae = health insurance
icasb = basic
moajr micaedl = major medical
pprue lmiit = upper limit
ctuddeblie = deductible
curoinsance = coinsurance
dpearpisaing curoinsance = disappearing coinsurance
taehlh mnaiancetne ogantionzarsi = health maintenance organization
lisitydabi isruncane = disability insurance
evprentive crae = preventive care
dusleche = schedule
ccehkups = checkups
icmaided = medicaid
mcareide = medicare

ACTIVITY SHEET: When There's No Insurance

OBJECTIVE:
To impress students with the necessity of having comprehensive health coverage to meet escalating medical bills.

ANSWER:
Paula and Jonathon could sell their house and car to pay for the bills. Jonathon also might take on more work in order to increase his income. Certainly, the couple will have to start saving as much money as possible from now on. Another option is a loan, perhaps through a credit union or their whole life insurance policy (see page 28).

Medical payments above a certain level may be tax deductible. This requires filing an itemized tax return and following current guidelines on levels of allowable deduction. The IRS can provide the necessary information to determine the amount of the final deduction. Have a class member explore what portion of the $17,000 medical bill belonging to Paula and Jonathon would be deductible according to current regulations. This can be done by calling the Federal IRS toll-free tax information telephone number. Additional information you may need is:

1) Paula and Jonathon are married with no dependents.
2) Paula and Jonathon have no other deductions to itemize.
3) The adjusted gross income of Paula and Jonathon is $30,000.

Use this exercise as an open-end discussion to solicit as many ideas as possible and to play devil's advocate. How much are Paula and Jonathon likely to get from a used car, for example? If they do sell it, how will Jonathon conduct his business? Is it practical to sell a house when someone is seriously ill? What if the insurance policy has a low cash value? Even if they sell most of their property, will it cover the anticipated $17,000 bill?

ACTIVITY SHEET: The Match Game

OBJECTIVE:

To help students understand different health insurance policies and provisions as well as where medical care is available.

ANSWERS:

basic health insurance	usually pays health costs from the first dollar
major medical insurance	a necessity with today's rising health costs
disability	pays income to policyholder
worker's compensation	insurance for those 65 and older
HMOs	prepaid health plans
group health plans	employees belong through work
campus health service	may supplement parent's policy
medicare	for those who can't afford insurance
medicaid	employer contributes to state fund
preexisting condition	exempts illness already diagnosed
exclusions	what's not in a policy
waiting period	restricts coverage until this time

ACTIVITY SHEET: What's The Best Deal

OBJECTIVE:

To emphasize the importance of shopping around for policies to find the best possible coverage for the most reasonable cost.

DIRECTIONS:

Have students read Dottie's profile. Then ask five or six students to call a different insurance company or agent for recommendations on the type of policy to buy. Encourage students to ask for ways to reduce the premium, for example, a higher deductible. Compare the coverages quoted by each insurance representative, the exclusions, and the premium.

ANSWERS:

Individual

AN OUNCE OF PREVENTION IS WORTH A POUND OF CURE

The best cure for high health care bills is preventive medicine. It not only saves money, it works.

Preventive health measures encourage regular care as a way to spot and treat problems before they become serious. Periodic dental and doctor checkups are examples, as is good diet and plenty of exercise.

Here are other advantages of preventive care:

- improved self-awareness of health needs and a better mental attitude
- early detection and treatment of illness
- timely immunization and other protective procedures
- decreased cost of care
- improved rapport between provider and patient since regular visits help the provider better understand a patient's physical and psychological conditions and needs

The health of Americans has improved steadily during the last several years. With our increased awareness of health care issues, that record should continue.

CLASS DISCUSSION QUESTIONS:

How do students stay healthy? What do their parents do? Do students think these preventive measures keep the doctor away? Why?

Discuss with students whether it's a good idea to buy insurance for all doctor visits and medical treatments. Or should people protect only the most expensive illnesses and injuries? Why? Why not?

Many employers today are cutting back on the cost of health care provided through employee group plans. Why do students think this is happening?

Discuss the pros and cons of modern medicine. Does it make sense to use artificial hearts? Do students think it's practical to keep people alive on respirators?

Poll students about their feelings and ideas on organ donation. How do people in your state indicate they would be willing to donate their organs in case of death?

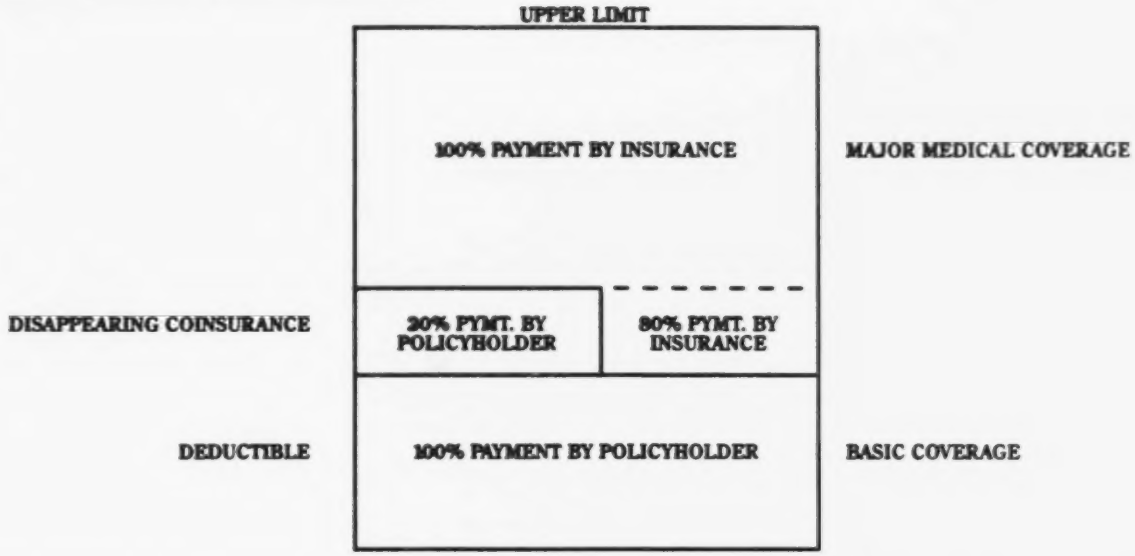
WHY SO HIGH?

Medical costs continue to skyrocket, but why?

First, everyone wants first-rate care — the best doctor, the best hospital or clinic and the best treatment. Second, the cost of technology, which is responsible for many of our medical advances, is very high. For example, large amounts of money are necessary to perform organ transplants and other modern miracles. It also is very costly to train and keep the personnel necessary to conduct these complex procedures. The increasing number of malpractice suits for many types of surgery have also dramatically increased the cost of medical malpractice insurance. This also is a factor in today's cost of medical care.

You might say our demand for good care encourages more and more medical advances, which in turn, keeps costs spiraling.

WHO PAYS THE BILLS?



This exercise is an example of how a major medical policy works, with both the policyholder and insurance company paying different portions.

There are three important characteristics of major medical: A high upper limit of coverage, a deductible, and coinsurance. The upper limit varies with the policy and can range from $10,000 to $1 million. The deductible and coinsurance represent costs paid by the policyholder. The deductible is what he or she pays before the coverage goes into effect, say, the first $100 or $250. Coinsurance is the portion of the bill that's shared with the insurance company. The policyholder commonly pays 20 percent; the company, 80 percent.

Since even 20 percent can be a costly amount, there usually are limits to what the policyholder must pay. Once that limit is reached, the company pays 100 percent of the costs up to the limits of the policy. This is referred to as disappearing coinsurance.

Mary's accident resulted in a total medical bill of $10,100. Her major medical policy has a $100 deductible, 80/20 percent coinsurance until $5,000, and a $100,000 upper limit. Fill in the blanks to reflect who pays what according to the policy.

Medical bill: $10,100

Item:	Who pays	Amount
Deductible	_____	_____
20 percent coinsurance	_____	_____
80 percent coinsurance	_____	_____
Total payment by policyholder		_____
Total payment by insurance company		_____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

MEDICAL UNSCRAMBLE

Read the definitions of each scrambled term; then unscramble them and rewrite the proper term in the blank provided. Pay attention to how each of the words is defined; this not only will familiarize you with the terms but help you unscramble them.

ehltah ncinsurae is used to protect against high costs associated with injury or illness.

_____

icasb health insurance often is considered adequate only for minor illness and injury. High medical costs require more coverage.

_____

As medical costs have increased, **moajr micaedl** coverage has become necessary for almost every significant illness or injury.

_____

The **pprue lmiit** is the maximum benefit paid for any single injury or accident.

_____

The **ctuddeblie** is the amount of money the policyholder pays before the major medical coverage goes into effect; it's often in amounts of $100 or $250.

_____

curoinsance is the portion of the bill the policyholder shares with the insurance company.

_____

Once medical expenses reach a certain amount, the policyholder no longer pays. The insurance company picks up covered services to the limit of the policy. This is called **dpearpisaing curoinsance**.

_____

Health insurance companies provide payment after treatment. **taehlh mnaiancetne ogantionzarsi** provides treatment on a prepaid basis.

_____

lisitydabi isruncane partially covers the wages an employee loses because of an illness or injury.

_____

evprentive crae encourages regular care so health problems are detected early.

_____

The list of items covered in basic medical insurance is called a **dusleche**.

_____

Regular **ccehkups** are part of preventive medicine and allow patient and doctor to get to know one another.

_____

icmaided and **mcareide** are government-sponsored health insurance plans for those 65 and older and for those not able to afford care.

_____ _____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

WHEN THERE'S NO INSURANCE

Paula and Jonathon always meant to buy more health insurance. They knew their basic medical policy wasn't enough. The most it would pay in hospital and doctor bills was $3,000. Yet somehow they never got around to looking for a major medical policy.

The day Paula found out she had cancer, she and Jonathon knew they had made a big mistake. Paula's cure might take a year or longer and would require lots of medical tests and treatments. Jonathon, because he was self-employed, didn't have an employee group plan to help him out. Paula didn't qualify for medicare, either. She was only 25 and had just enrolled in graduate school. Neither did the couple qualify for medicaid since Jonathon certainly made enough money to afford insurance.

Instead of anticipating possible medical expenses, the couple spent their money on other things. They owned a house, a car, the usual assortment of possessions as well as a whole life insurance policy. They had very little savings since they just spent it on a three-week vacation.

Where will Paula and Jonathon get the money to pay their medical bills? They know through a friend who had a similar cancer that the bill likely will top $17,000. List at least three possibilities for raising that amount of money:

1. _____

_____

2. _____

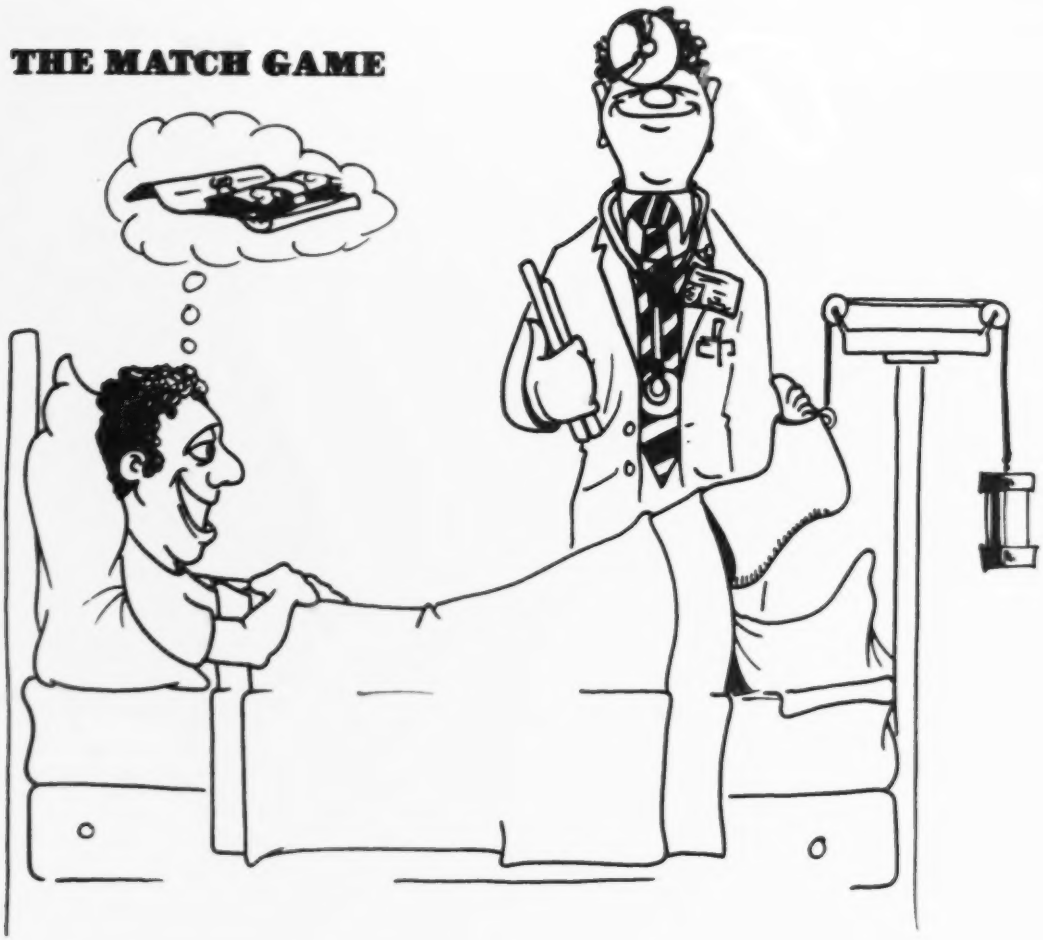
_____

3. _____

_____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

THE MATCH GAME



Draw lines between the terms and the phrases that apply to them.

basic health insurance	may supplement parent's policy
major medical insurance	restricts coverage until this time
disability	what's not in a policy
worker's compensation	usually pays health costs from the first dollar
HMOs	prepaid health plans
group health plans	a necessity with today's rising health costs
campus health service	for those who can't afford insurance
medicare	employees belong through work
medicaid	exempts illness already diagnosed
preexisting condition	employer contributes to state fund
exclusions	insurance for those 65 and older
waiting period	pays income to policyholder

51

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

WHAT'S THE BEST DEAL

Read the following profile of Dottie. Your teacher will ask several of you to call insurance personnel for recommendations on what type of insurance Dottie should buy.

Dottie, 19, planned to go to college next year, but first she wanted to live in Aspen for a year and ski. Her parents told her she was on her own and would have to take care of all her financial needs, including health insurance. As a result, Dottie planned to work as a waitress to earn the money necessary to live during her year off.

What type of health insurance policy should she buy?

_____

What exclusions or special provisions are there in the policy?

_____

_____

_____

How can she reduce the premium?

_____

_____

_____

How much will it cost her for a year?

_____

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

LIFE INSURANCE

The Westchester Investor

"There was a young woman of Westchester
who had money to become an investor.
So she purchased insurance,
as an annual occurrence,
Buying whole life she thought would be the best for her."

CHAPTER OBJECTIVES

1. **Presents rationale behind the purpose of life insurance.**
2. **Relates importance of life insurance to young people.**
3. **Summarizes the basic types of life insurance.**
4. **Explains savings/loan options available with particular types of life insurance.**
5. **Defines key terms associated with life insurance.**
6. **Provides life insurance purchasing choices based on hypothetical situations.**

KEY CONCEPTS

Life insurance protects people from costs associated with death. Protection is especially valuable for families who could not continue their lifestyle if the wage earner died. Teenagers should imagine the consequences of suddenly not having the financial support of their parents. What would they do if one of them should die?

A life insurance policy specifies an amount of money to be paid beneficiaries after the insured dies. For example, a father might name his wife and children as beneficiaries. Both wife and children have what is called an insurable interest in him; without him the family would suffer a financial hardship. A business person might have an insurable interest in his or her partner, too, since the business may not continue without the partner. At death, the beneficiaries receive the amount of the policy, or face value.

Life insurance follows the "law of large numbers." The cost of premiums is determined by statistically based mortality tables. Although statisticians can't predict when any one person will die, they can predict when a certain number will die or become disabled within a large group. With statistical information, based on age, health, and other pertinent factors, the insurance company sets premiums.

After a policy is issued, only the person insured (known as the policyowner) may cancel the policy. However, if premiums are late or not made, the policy will lapse and become invalid. To reinstate a lapsed policy, one must pay past-due premiums, including interest. Sometimes a physical examination is required as well.

The primary reason for buying life insurance is to protect others, not oneself. The policyholder collects the face value under ordinary insurance, only when he or she reaches a certain age, say 98, depending on the provisions of the policy. Full payments also are made when the policyholder dies, with the beneficiaries receiving the money.

Another reason to buy life insurance is to accumulate savings, for example, to finance a college education. This is possible with certain types of policies, such as whole life or endowment.

People also buy insurance to pay for funeral costs. Other than a house and car, a burial is the largest expenditure made by most families. According to a 1985 report, Americans spend about $6 billion a year on funerals. The average cost per individual is $2,500. Additional expenses also may burden survivors, such as personal loans, unpaid charge accounts, and medical expenses. For these reasons, life insurance can be invaluable.

Young wage earners, particularly those with families, must understand the burden these costs put on survivors.

Note: Most life insurance policies have a suicide clause. It excludes payment of benefits if suicide is committed within two years of the policy's date of issue.

There are many life insurance variations, all of which can be classified as follows:

A. Whole Life Insurance

Also called ordinary, straight, or permanent life. This type of coverage not only protects the insured throughout his or her lifetime but builds up a cash reserve as premiums are paid. The amount in savings is referred to as the cash value, which is what the policy is worth if or when it's cancelled. By contrast, the face value is the amount the policy will be worth when the owner dies or reaches a certain age. When a policy matures, the face value and cash value are the same.

Advantages:

There are several reasons why people prefer whole life to other types of policies: 1) it offers lifetime protection as well as savings; 2) policyholders can borrow against the cash value at low rates and still be insured; 3) policies often can be converted to retirement income payments; 4) most often the premiums do not increase with age.

Disadvantages include:

1) premium costs are higher than for some other types of life insurance; 2) interest earnings on the cash value are generally not competitive with interest paid by financial institutions; 3) face value is unavailable until death of the insured or old age.

B. Whole Life/Limited Payment Insurance

With this version of whole life, premiums are paid in full by a specified age and often while a policyholder is earning his or her highest salary. It still insures the owner for life. Because the policy is paid up faster than whole life, premiums are somewhat higher.

C. Term Life Insurance

This is protection-only insurance and is for a period of time specified by the policyholder, say 10 or 20 years, or to a given age like 65. No payment is made to beneficiaries if the insured survives the length of the policy, and no cash value is built up. For these reasons, rates generally are lower than for whole life. Because people tend to be healthier at young ages, premiums for term are initially quite low. They do rise, however, each time they're renewed.

To renew a term policy, you may need another health report or exam. It is important to know this in advance, especially if you suspect a health problem may arise during the life of the policy. Term policies may contain a convertible clause, allowing the owner to convert the coverage to whole life without a physical examination.

Term insurance is also the type of life insurance that is usually offered to employees by an employer. The coverages are provided on a group basis thus keeping the premiums low.

Advantages to Term include:
1) premium costs are low, especially for young policyholders; 2) people can buy only for the time they need protection; 3) money isn't tied up in low-yield savings.

Disadvantages include:
1) renewals cost more, both in higher premiums and additional health exams; 2) there are no benefits after the policy expires; 3) there is no cash value for savings or to borrow against.

D. Endowment Life Insurance

Like whole life, it offers protection and savings; however, endowment policies have what's called living benefits since they're paid to the insured while he or she is still alive. In other words, the policy can be cashed in for the face value at the end of the period for which it was written. Premiums are higher than for whole life because the policy reaches maturity at an accelerated rate. The insured also can have the face value converted to supplemental income payments. If the insured dies, the remaining money is paid to beneficiaries.

Advantages:
Endowment policies are chosen for the following reasons: 1) they offer protection and savings; 2) they mature faster than whole life; 3) the insured can receive benefits while still alive.

Some disadvantages:
1) premium costs are high; 2) the interest rate paid on premiums is generally lower than interest paid by financial institutions.

E. Universal Life Insurance

This is a relatively new type of life insurance, just recently marketed to consumers. It's similar to whole life but has high-yield, short-term, tax-deferred savings. Interest rates are linked to the money market and therefore can be much higher than on whole life policies. Premiums are paid monthly from the existing investment fund, which also is the cash value amount of the policy. For that reason, the cash value fluctuates to reflect money market yields.

Primary advantages of Universal include:
1) high returns are possible, similar to what's paid by other investments; 2) there is the option of paying minimum premiums; 3) there's the possibility of withdrawing cash without it being considered a loan; 4) policy limits and death benefits can be changed; 5) savings are tax-deferred savings until payment.

Disadvantages include:
1) cash value fluctuates; 2) some policyholders may concentrate more on the savings aspect of the policy rather than the protection, for example, only paying minimal premiums.

Students might think of life insurance as a way to prepare for the future. They can start a savings plan now that later becomes the cornerstone for other financial needs or investments. Also, the younger a person is when he or she takes out a policy, the lower the premiums. However, in spite of the advantages, students should first consider whether it's necessary at this point in their lives to have life insurance.

The amount of insurance people buy — and whether they even need it — depends on their individual situation. Here are some questions to consider:

1. Is there an insurable interest between the insured and the beneficiary?
2. Are savings important? Whole life or endowment life insurance can provide protection as well as a cash reserve. Of course, there are other ways to save and they should be considered, too.
3. Can survivors comfortably meet expenses if a wage earner dies?
4. Is life insurance available through an employer? If so, is it sufficient?
5. Will a young family be left that needs protection?

SUGGESTED TEACHING ACTIVITIES

ACTIVITY SHEET: Who Most Needs Life Insurance
OBJECTIVES:
To help students understand key life insurance concepts and analyze when it's a necessary purchase.

ANSWERS:

1. Tony. Of the three, Tony is the only one who'll take on responsibility for others. His new wife and family likely will be dependent on his wages. If he dies, he'll want to make sure his family is provided for financially. As a result, Tony must seriously consider his obligations. While he'll probably receive some life insurance through his employer, he should be insured at a sufficient amount to pay off all the family debts (such as mortgage and car payments), provide for daily living expenses for his family, and send his children to college. Insurance also will pick up Tony's funeral costs. At the moment, Sally and Edward don't plan to take on the same responsibilities as Tony.

2. Mr. and Mrs. Swanson. Because the Swansons are unable to save money, they either should consider whole or universal life. This not only will ensure future income if Mr. Swanson should die but create an automatic savings plan. Mrs. Swanson's lack of job skills is another reason for the family to have insurance. In case of her husband's death, she'd have a difficult time finding a good-paying job. For them, term insurance is an unwise choice since it will provide insurance only and not help them save. Although the Jenks have a sound investment strategy and plenty of money saved, they must ask themselves if their nest egg is adequate in case of death. To find out, they should add up total annual living costs, both present and future. If they can't cover these expenses with existing funds, a life insurance policy would be a good investment for them, too.

ACTIVITY SHEET: Crossword Puzzle
OBJECTIVE:
To help students identify common life insurance terms.

ANSWERS:

HOW TO BE A GOOD CONSUMER

The American Council of Life Insurance suggests eight "rules of thumb" when buying life insurance.

1. Understand and know your needs before you buy.
2. Buy from a company that's licensed in your state.
3. Select an agent who's competent, knowledgeable, and trustworthy.
4. Shop around and compare costs.
5. Buy only the amount you need and can afford.
6. Read your policy and make sure you understand it.
7. Tell your beneficiaries what type of policy you have, for what amount, and where the policies are kept.
8. Keep the coverage current by checking it periodically, or whenever your needs change.

ACTIVITY SHEET: Prepare to Compare

OBJECTIVE:

To help students distinguish among the different types of life insurance.

ANSWERS:

1. T
2. T
3. F
4. T
5. F
6. T
7. F
8. T
9. T
10. F
11. T

CREDIT INSURANCE

It is interesting to note that credit insurance (also mentioned on Page 18) is a specialized type of term insurance. Credit unions and other financial institutions loan money to borrowers based on their ability to repay the loan, their credit worthiness. Credit insurance is designed to assist the borrower and his/her family meet their loan obligation even if disability or death would normally make it difficult or impossible to do so.

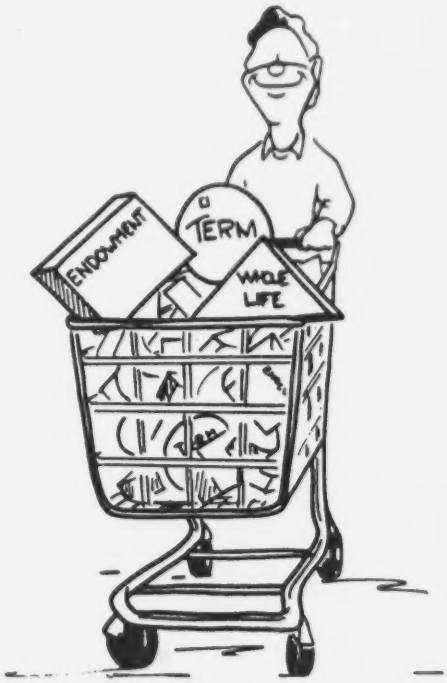
Death and disability almost always cause extra financial obligations. The borrower with credit insurance can minimize the impact of these unpleasant circumstances and the credit union, or other financial institution, also benefits since it is more likely to receive the payments due without hasseling the borrower or family.

For little or no charge, most credit unions offer credit insurance as a service to their members. The insurance usually runs for the term of the loan and decreases as the loan balance is paid off.

ADULTHOOD

Remember, once one has reached the age of 18, the signer of any contract is responsible for the terms included in that contract — this includes life insurance policies.

ACTIVITY SHEET: Shopping for Life Insurance



OBJECTIVE:

To alert students to the choices they have and to analyze what type of life insurance fits various people's needs.

ANSWERS:

1. C. Term is best for John since he'll soon be giving up his risky sport. Also, term rates will be low due to his young age (assuming he's in good health). When he joins the military, he'll receive some life insurance as a fringe benefit.
2. C. Endowment life will provide an income if Jenifer needs it later. She can either cash in the face value when the policy matures or receive regular payments, similar to income. Jenifer also can name a beneficiary in case she dies before the policy is entirely paid to her.
3. B. Cindy's limited payment whole life policy has already matured, making the cash value and face value equal. Danny's policy has the same protection, but the premiums are paid during his entire lifetime. The cash value, therefore, accumulates more slowly. Both Cindy and Danny continue to be protected by their policies.

CLASS DISCUSSION QUESTIONS

Why should people purchase life insurance? Compile a master list on the chalkboard.

Why do young people, in particular, need to think about life insurance?

Ask students to think of people they knew who didn't have enough insurance at death or had none at all. What problems did the survivors face as a result?

BEWARE THE HIGH-PRESSURE SELL

Recent high school grads and college students must be aware of high-pressure life insurance agents. Resisting the sales pitch can be especially difficult since the salesperson likely is a friend or even a roommate who's been recruited by local insurance agents.

The typical sales pitch is for a deferred payment life insurance policy, which promises the first year of coverage free. Only after the twelfth month, students are told, do they start paying premiums.

The contract, though, allows the insurance company to "make up the difference" the second year by charging twice as much as normal. If the student tries to break the contract, the account is turned over to a collection agency. Once again the student will encounter high pressure tactics; this time to get him or her to pay up.

Students must remember the classic rule of thumb: "You can't get something for nothing." It applies to life insurance, too.

WHO MOST NEEDS LIFE INSURANCE

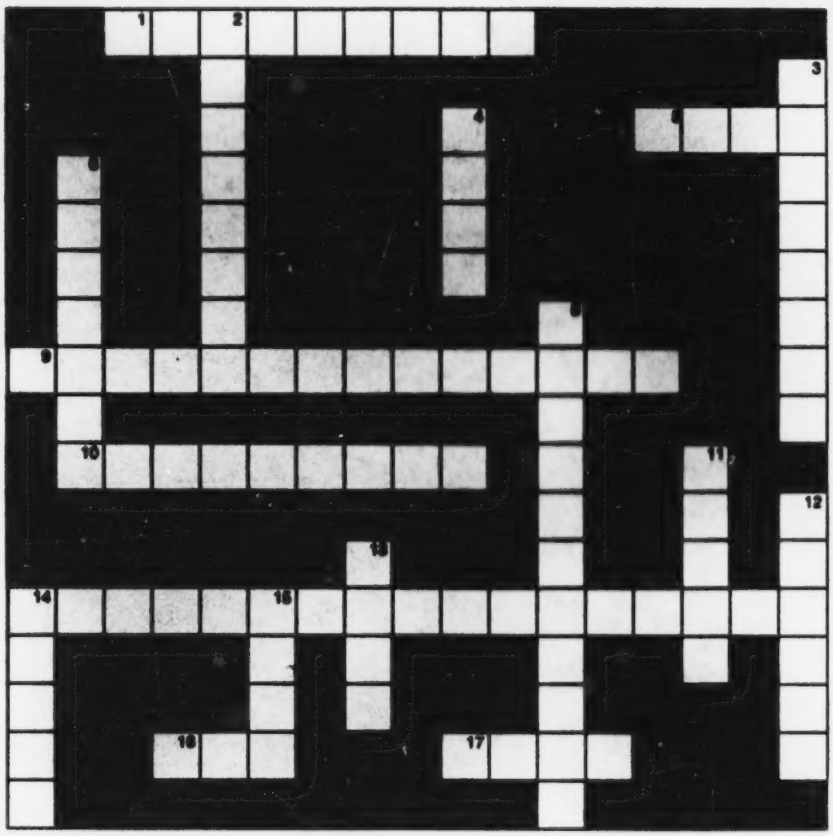
1. Sally, Tony and Edward are classmates who'll graduate next year. Although all have a lot in common, each has different plans for the future. Sally plans to move out of the house, work for a large building contractor and save lots of money. Tony is getting married and wants to start a family. Edward will remain at home and attend a local college. Which one most needs life insurance, and why?

2. The Jenks family saves virtually every penny it earns. Then once a year, Mrs. Jenks, who once was an investment advisor, takes the money that's been saved during the year and invests it. She makes sure she gets the best interest rate for her money and that there's enough cash for emergencies. Because of the family's good money sense, neither Mr. or Mrs. Jenks is worried about the future. By contrast, the Swansons hardly save enough to meet everyday emergencies, such as an unexpected car repair bill. Also, unlike Mrs. Jenks, Mrs. Swanson has no job skills and is totally dependent on her husband's income. Who most needs life insurance, and why?

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

CROSSWORD PUZZLE

ASK
BENEFICIARY
CASH VALUE
CLAIM
CONVERTIBLE CLAUSE
CREDIT
ENDOWMENT
GROUP
INTEREST
LIFE
LIMITED PAYMENT
LOAN
RATE
RISK
STRAIGHT
SUICIDE
TERM



Across:

1. Amount of money a life insurance policy is worth, can be borrowed against. (two words)
5. You can take out a _____ on your whole life policy.
9. Type of insurance in which premiums are paid during a specified time period. (two words)
10. Type of life insurance in which insured collects savings after a specified number of years.
14. A _____ _____ allows the owner of a term policy to change to a whole life policy or extend the time period. (two words)
16. One way to shop for insurance is to _____ your friends and neighbors.
17. Type of life insurance that protects insured for a specified period of time and no longer.

Down:

2. Another name for whole life insurance.
3. When a person can show he or she will suffer a personal or financial loss from another's death, he or she has an insurable _____.
4. Charge used in determining insurance premiums.
6. Full life insurance benefits can be denied for this reason.
8. Person to receive the benefits of an insurance policy.
11. Life insurance for company employees typically written under a single contract.
12. Insurance that protects lenders from bad debts.
13. _____ insurance provides death benefits.
14. What you file with your insurance company to receive benefits.
15. For this reason, we have insurance.

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

PREPARE TO COMPARE

Answer true or false to the following questions:

1. T F Premiums for life insurance always are lower at a younger age.
2. T F Limited payment policies allow the owner to pay for coverage when their earnings are likely to be greatest.
3. T F Term insurance has the highest premiums.
4. T F Endowment insurance allows the owner to collect the face value of the policy at maturity; therefore, premiums are higher than for whole life.
5. T F Universal life policies are popular because they only offer protection.
6. T F Rather than take out a whole life policy at 18 and continue to pay premiums for 40 years, you'd save money by purchasing limited payment insurance according to the "Comparison Chart".
7. T F It is more expensive to buy whole life at age 18 and pay for it during the next 40 years than to buy the same policy at age 40 and pay for it in 18 years.
8. T F Both whole life and endowment have savings plans for the policyholder.
9. T F Many parents buy endowment life insurance when their children are born so there is money available for college.
10. T F Universal life has a savings plan with a fixed rate of interest.
11. T F It is important to know if you can renew a term policy.

A Comparison of Typical Life Insurance Rates* (Annual)

Bought At Age	Permanent or Whole Life	Limited Payment 20-Year	Endowment 20-Year	Term 5-Year Renewable-Convertible
18	$11.95	$20.15	$43.18	$ 5.35
20	$12.54	$20.93	$43.20	$ 5.38
25	$14.27	$23.11	$43.43	$ 5.50
30	$16.60	$25.83	$43.68	$ 5.68
40	$23.32	$32.87	$45.20	$ 7.96
50	$34.51	$43.06	$48.91	$14.21

* Rates shown are approximate premium rates for non-participating life insurance policies for men. Rates for women are somewhat lower because of women's somewhat lower mortality. Rates of participating policies would be slightly higher but the cost would be lowered by annual dividends. The premium rates shown here are per $1,000 of protection if the policies were purchased in units of $10,000.

Source: Institute of Life Insurance, *Policies for Protection*

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

SHOPPING FOR LIFE INSURANCE

1. John's hobby is stock car racing. It's a dangerous sport, but he loves it. Most of his life is spent either tinkering with or racing cars. His wife also likes the sport. In fact, they met at a stock car race two years ago. Now they are expecting a baby.

   Both of them know the sport is risky, but it's worth it. John works hard at college, has a part-time job, and deserves his fun. Besides, John has plans to join the Air Force when he graduates. Then he'll give up racing.

   One day a friend asked John if he had any life insurance. Until then, John hadn't thought about his wife supporting their baby on her own. How would she manage financially if he were killed or injured, he wonders.

   Which type of insurance should John consider?

   A) Endowment
   B) Whole Life
   C) Term

   Why?

   _____

   _____

   _____

   _____

2. Jenifer has a family history of severe arthritis. Already at age 18, she is beginning to have problems. Jenny's parents have offered to help her with life insurance. They want her to have a policy that will provide cash later on in case she can't work. They also suggest a savings plan as part of the policy.

   What type of insurance should Jenifer consider?

   A) Term Life Insurance
   B) Credit Life Insurance
   C) Endowment Life

   Why?

   _____

   _____

   _____

   _____

   _____

   _____

3. Cindy and Danny are neighbors. They were born the same year, attended the same schools and now are planning to attend the same college.

   Funds are scarce, so Cindy and Danny are investigating ways to borrow money for school. Their parents told them to ask the insurance agent about borrowing from their life insurance policies. As you might expect, both of them also have whole life policies. While checking out the loan possibilities, Cindy found out her policy has a higher cash value than Danny's. As a result, she can borrow more money.

   What accounts for the difference in the two policies?

   A) Danny stopped making premium payments five years ago.
   B) Cindy's policy is a limited payment policy and Danny's isn't.
   C) Cindy is a female, and females generally live longer.

© CUNA Mutual Insurance Group & Credit Union National Association, Inc.

CONTENT SUMMARY

INTRODUCTION TO INSURANCE ..... page 3

OBJECTIVES
1. Helps students understand risk as an integral part of life, whether it's injury to others or self, loss of life or possessions.
2. Explains that insurance helps cover these risks.
3. Presents basic principles of insurance, including the sharing of financial risk, pooling of resources, and protecting yourself and others.
4. Identifies what types of insurance protect which risks.
5. Defines key insurance words and phrases.
6. Relates insurance to student spending habits and possessions.

ACTIVITY SHEETS
1. OPINION PLEASE
2. SHARING THE RISK
3. INSURING AGAINST DISAPPOINTMENT - I
4. INSURING AGAINST DISAPPOINTMENT - II
5. FINISH THE SENTENCE
6. WHAT DOES IT MEAN?
7. MONEY MATTERS
8. WHO OWNS WHAT?

GLOSSARY OF INSURANCE TERMS & PHRASES ..... page 8

HOMEOWNERS & RENTERS INSURANCE ..... page 9

OBJECTIVES
1. Highlights responsibilities associated with ownership of personal possessions.
2. Identifies basic types of homeowners and renter insurance policies and helps match them to people's needs.
3. Introduces the concepts of casualty and liability.
4. Helps students realize the importance of personal inventories of possessions.
5. Defines key terms associated with homeowners and renters insurance.

ACTIVITY SHEETS
1. A PERSONAL INVENTORY
2. YOU'RE COVERED
3. WHAT KIND TO BUY
4. IS IT FACT OR MYTH?

AUTOMOBILE & MOTORCYCLE INSURANCE ..... page 13

OBJECTIVES
1. Identifies responsibilities and costs associated with ownership and use of a motor vehicle.
2. Outlines basic types of auto and motorcycle insurance.
3. Describes ways to save money on auto and motorcycle insurance.
4. Defines key terms associated with motor vehicle insurance.
5. Familiarizes students with procedures in case of an accident.
6. Stresses consequences of drinking and driving.

ACTIVITY SHEETS
1. CARS: A BIG RESPONSIBILITY
2. AUTOMOBILE INSURANCE TERMS
3. SEQUENCE OF AN ACCIDENT
4. CUTTING CAR INSURANCE COSTS
5. IDENTIFYING MOTOR VEHICLE COVERAGE
6. RESPONSIBILITIES OF DRIVING

HEALTH INSURANCE ..... page 21

OBJECTIVES
1. Presents possible consequences of inadequate insurance coverage.
2. Explains basic types of health insurance.
3. Describes alternative types of health care programs.
4. Defines key terms.
5. Stresses the positive aspects of preventive medicine.
6. Suggests ways to save on medical and health care, and insurance costs.

ACTIVITY SHEETS
1. WHO PAYS THE BILLS?
2. MEDICAL UNSCRAMBLE
3. WHEN THERE'S NO INSURANCE
4. THE MATCH GAME
5. WHAT'S THE BEST DEAL

LIFE INSURANCE ..... page 27

OBJECTIVES
1. Presents rationale behind the purpose of life insurance.
2. Relates importance of life insurance to young people.
3. Summarizes the basic types of life insurance.
4. Explains savings/loan options available with particular types of life insurance.
5. Defines key terms associated with life insurance.
6. Provides life insurance purchasing choices based on hypothetical situations.

ACTIVITY SHEETS
1. WHO MOST NEEDS INSURANCE
2. CROSSWORD PUZZLE
3. PREPARE TO COMPARE
4. SHOPPING FOR LIFE INSURANCE